

# CONGRESSIONAL DIGEST

The Pro and Con Monthly  
April, 1932



## Congress Considers Economic Planning

Origin and Growth of Economic  
Councils :: Councils Operating in  
other Countries :: Proposals for  
Economic Planning in U. S. :: Action  
Taken by Congress To Date :: Pro  
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gress Establish a Planning Council?  
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# The Congressional Digest

The Pro and Con Monthly

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# The Congressional Digest

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April, 1932



## Congress Considers National Economic Planning

### Foreword

AMONG the results of the economic depression, which began in the autumn of 1929 with a tremendous drop in the price of securities on the New York Stock Market, has been the development of a widespread discussion among public officials, business men and economists of the possibility of a nation-wide economic planning system whereby economic depressions may, in the future, be avoided.

Brought down to its simplest terms, the general conclusion is that the depression is due to overproduction in both agriculture and manufactures. That is to say, American agriculture and American industry had been developed to the point where normally and without any particular pressure they were daily turning out more foods and more manufactured articles than the American public could consume.

The remedy for that, most manufacturers contended, was a curtailment of production. Their argument was that to keep on manufacturing more than they could sell would lead inevitably to bankruptcy. But the reduction of production meant the reduction in the number of employees. This resulted in unemployment. Unemployed wage earners cannot become purchasers and this, it was argued, lowered even further the consuming capacity of the nation and forced further curtailment of production.

Many of the producers argued that the cost of labor was the key to the situation. They pointed out that although we were producing plenty of everything the cost of production was so high that a sales price to bring profit to the producer, was forced to a height consumers refused to pay.

In answer to this statement it was argued by opponents of wage restriction that a wholesale reduction of wages would further restrict the buying power of the public.

Opponents of reduction of production took the position that it was not this that was required to balance the

economic situation, but a more equitable distribution of the income from production.

Finally, with a general agreement on all sides that economic conditions were out of joint, there grew the discussion of whether a definite national economic planning system could not be devised which would stabilize industry to the extent that industries could be carried on in a manner which would insure a decent profit to the producer, a decent income to the wage earner and leave the general public with a decent purchasing power to maintain himself at a decent standard of living.

Dozens of plans have been offered and dozens of books have been written on the subject. The theories range all the way from the communist theory of Russia and the Fascist theory of Italy, in both of which a central governmental body practically dictates the rules of industry, to the theory of some leading American financiers and manufacturers, that it is impossible to set up any central economic planning system that will operate successfully against the human equation and what they term the inevitable laws of supply and demand.

In his article beginning on the next page, Dr. Lewis L. Lorwin gives the background of the development of the economic planning idea and how it has worked out in various foreign countries.

Among the many plans offered in America, a list of which will be found on page 118, three have attracted widespread attention. These three are the plan of Gerard Swope, President of the General Electric Co. of Schenectady, New York, known as the Swope Plan; the plan of the Chamber of Commerce of the United States and the plan of the Progressive Conference, which is embodied in a bill introduced in the Senate by Senator Robert M. LaFollette, Jr., of Wisconsin.

The Swope Plan and the Chamber of Commerce Plan, while differing in certain essentials, are both predicated upon the theory that economic planning should be done solely by the business interests without Government participation beyond the extent of modifications of the Sherman Anti-trust Law to permit trade associations to regulate production, and the assistance of Departmental heads in the furnishing of information and counsel.

The Swope plan contemplates the organization of various industries into trade associations, each association to work out plans for its own industry and then to combine with other trade associations to develop a national organization, with an elected council at its head, to coordinate all industry, agriculture and labor into a general system of economic planning.

The Chamber of Commerce Plan, contemplating the same end, provides for the creation of a council to gather the necessary information upon which to base a plan and then call on industry, agriculture and labor to pass upon the council's recommendations, and to thus work out a final agreement upon a plan action.

In short, the Swope Plan contemplates working from the bottom up, while the Chamber of Commerce Plan contemplates working from the top down.

The Progressive Conference Plan or LaFollette plan, on the other hand, is based upon the belief that private industry cannot or will not put economic planning into effect and that the only way it can be done is by governmental action. Consequently the LaFollette bill provides for the creation of a National Economic Council to be appointed by the President to study economic problems and advise industry as to conditions and make suggestions to Congress for the passage of legislation it deems necessary to the development of a national economic plan. The bill does not give the proposed council power to dictate economic policies but does give it power to compel individuals or firms to furnish it information.

The introduction of the LaFollette bill brought the issue squarely before Congress. His first bill was introduced during the final session of the last Congress and a resolution was adopted by the Senate authorizing the Senate Committee on Manufactures, to which the LaFollette bill had been referred, to hold hearings during the recess.

After the last Congress had adjourned the Progressive Conference met in Washington on March 12 and 13 to consider questions of interest to Progressives. This conference, which was attended by Progressive Senators,

Representatives and economists, appointed a committee to draw up a plan for an economic council and long range economic planning. The committee completed its report in November 1931 and the recommendations of that report are embodied in the bill Senator LaFollette introduced at this session of Congress. In the meantime a subcommittee of the Senate Committee on Manufactures, of which Senator LaFollette is chairman, met on October 22, 1931, and began hearings on the LaFollette Bill. Sixteen days were given to the hearings during which the leading authorities of the country appeared. The published hearings are considered a veritable mine of information on the general subject of economic planning.

As the *Digest* goes to press, the subcommittee which is composed of Senators LaFollette, chairman, H. D. Hatfield, W. Va., R., and Morris Sheppard, Tex., D., is working on its report to the full committee.

It is not expected that the LaFollette bill will receive the attention of the Senate at this session of Congress. In the first place the pressure of more urgent matters would prevent it and in the second place few Senators have had sufficient opportunity to study the question sufficiently to warrant their casting a vote on it.

## Origin and Development of Economic Councils

by Lewis L. Lorwin

ECONOMIC councils in existence today are a product of the World War and of the economic and social upheaval which followed the War. But their sources lie deeper in the history of the Western World, and a brief survey of these sources is essential for a clear understanding of the way in which the idea of economic councils shot to the surface in 1918-20 and of the forms which they have assumed since.

### A. Pre-War Sources

In tracing the pre-war sources of present-day economic councils, one is led to three main currents of economic and social thinking. One had its starting point in the socialist movement; another derived from the desire of social conservatives to place some check upon parliamentary democracy; a third came from a miscellaneous group of critics of political democracy who sought to modify the modern state through functional group representation. These three currents of thought were of varying depth in the several countries of Western Europe and America before the War and rose to different heights after 1914.

Socialism from its early days stressed the importance of economic ties and organization. The slogan "Workers of the World, Unite" implied that the bond of economic interest between workers was of greater value than any other bond—national, religious, or cultural. In the pro-

grams of all varieties of socialism and anarchism, the ultimate basis of society was to be a free and stateless federation of associations carrying on economic activities in common and for a common end.

It is well known how the socialist movement after 1880 became political in character and shifted its emphasis to the control of parliament. But this very development had a counter effect in giving rise after 1900 to new forms of industrial socialism, to syndicalism in France, guild socialism in Eng, and I. W. W.'ism in the United States, which, with variations, revived the original socialist concept of and faith in economic organization. The syndicalists sketched the outlines of a new social system visioned as a federal union of economic associations, loosely held together by a national council of delegates from industries. The guild socialists developed the concept of a collectivist state based upon the co-ordination of the interests of producers and consumers organized as special groups. The I. W. W. planned to reorganize industrial society into a number of departments, each in control of a major section of industrial life and all bound in a highly centralized national organization. These social concepts and movements, while more concerned with remodeling society after an ideal pattern than with immediate political and economic reforms, were potent forces in undermining the prestige of parliamentarism in the decade before 1914 and in setting men's minds speculating upon occupational representation and upon the relations between industry and the state.

At the other end of the social scale were the political conservatives who were concerned not with reformation or revolution, but with the conservation of older institutions and of traditional forms. Not content with the re-



straints exercised upon parliaments by second chambers and harking back to medieval forms of economic control, they came to advocate some form of organization, based upon the representation of economic groups, partly as a check upon "the excesses" of parliamentary democracy, partly as a means of bringing the commercial and industrial elements of society into greater influence in public life. The outstanding example of these conservatives was Prince Bismarck, who, in his contempt for political parties, conceived the idea of a chamber of vocational associations and carried out his idea in the organization of an economic council in Prussia in 1881 which lasted for nearly a decade and which took a part in working out the German social insurance laws. After this council was abolished, the conservatives in Germany repeatedly took up the idea of occupational representation as opposed to political representation based on universal suffrage. The Federal Council of Germany (the Bundesrat) studied schemes for an upper chamber which, besides representing the federal states, would give expression to economic interests. On the eve of the War, during the discussion on the reform of the Prussian upper chamber, the proposal was put forward that it should be based upon occupational suffrage, in contrast to the Reichstag which was elected by universal suffrage.

In Italy also it was a conservative group that made the first proposal for a representative economic body to supplement Parliament in 1911, when a commission of the Italian Senate was considering the reform of the Italian Parliament. In Italy, as in Germany, the conservatives believed that such an economic chamber would act as a check on Parliament and on the powers of universal suffrage.

The third source was a miscellaneous group of political writers who proceeded from an analysis of the defects in the theory and practice of political democracy to the advocacy of functional economic representation and of economic parliaments. In France and Italy, this school of political writers, influenced by the syndicalist ideas of George Sorel, attacked the low state of parliaments everywhere, their uninformed methods of procedure, their subservience to powerful economic groups, their corruption, and their incoherence due to the hollowness of geographic representation upon which they were based. In contrast, these writers stressed the "naturalness," cohesion, and responsibility of economic and social groups and advocated the reorganization of the political state on an economic and regional basis. In England, a similar movement of ideas proceeded from a criticism of political action and of the doctrine of sovereignty inspired in varying degrees by Fabianism, Syndicalism, and Catholicism. In Germany, a number of writers, of whom Schaffle is perhaps the best known, based their schemes for vocational representation on the theory of society as a living organic unity and on the presumed superiority of an "organic state" made up of well defined economic groups over the "mechanical state" based on universal suffrage. In the United States, several writers applied the ideas of Wallas to a criticism of American democracy.

## B. The World War and After

These ideas, which remained somewhat abstract until 1914, were at first obscured and then strengthened by the War and the post-war social upheaval. The War made economic problems of supreme importance and brought into prominence the economic expert. The necessity of assuming control over economic resources and of

handling them in a co-ordinated way to achieve victory forced the governments in the principal belligerent countries to create a network of industrial committees and economic boards which not only paralleled the political structure but assumed great practical importance. In the United States the War Industries Board, the War Trade Board, the War Labor Board, and other governmental agencies became a sort of semi-independent economic mechanism which controlled the economic life of the country. In Germany, England, and France numerous advisory economic committees and expert boards with large executive powers were set up to deal with raw materials, industrial supplies, transport, and labor, and on these boards employers, employees, and the public were represented and instructed to act in common.

It was a result of this experience in 1916-17 that the first specific proposals for "planful economy" and for an economic parliament were made in Germany by Walther Rathenau, Wichard von Moellendorf, and Dr. August Mueller. Their suggestions, however, were soon overshadowed, even in Germany, by the idea of councils as brought forward in Russia, especially after the Revolution of November 7, 1917. One of the first acts of the Bolshevik Revolution was the creation of a National Council of Supreme Economy, which was entrusted with the task of nationalizing the large industries of the country and of supervising the enforcement of workers' control throughout the country. That Council was further strengthened by decree early in 1918 and was made practically the supreme regulating organ of large-scale industry in Soviet Russia. Aside from creating the first economic council, the Soviet Revolution also gave impulse to the idea of occupational representation by making it the corner-stone of the Soviet constitution.

As the waves of political and social unrest spread during 1918 and 1919, the idea of economic councils became a live issue throughout Western Europe. In Germany, it became the center of the struggle between radical socialists and communists who wanted a Soviet government, and the moderate socialists who insisted upon political republican institutions. In France, it was the focus of the demands made by the labor organizations for economic and social reconstruction. In Czechoslovakia, an economic council was organized as a means of helping the new state in the solution of its economic problems. In England, the movement for the reorganization of the state on economic and functional lines, exemplified in a limited degree in the Whitley Councils, produced a large and brilliant literature. In the United States, where the upheaval of 1919-20 remained incoherent and inarticulate, there were new applications of the theories of pluralistic sovereignty, and one may regard the demand for the Plumb Plan, and President Wilson's National Industrial Conference, as vague echoes of the movement in Europe.

It was during 1918-20 that the term "economic council" came to the fore and began to be used to cover several concepts. To some, it meant an economic parliament such as had been demanded by the pre-war critics of political democracy. In the minds of others, it was a news agency, partly administrative and partly representative, for reorganizing industrial and economic life on a socialist basis. Still others thought of it in the hybrid form of a representative body advisory to the government and the legislature.

The upheaval of 1918-20 left in its trail the Supreme Council of National Economy of Russia, the Provisional Economic Council of Germany, a voluntary economic

council in France, and the economic council of Czechoslovakia. These councils functioned in their various ways for several years without arousing imitation in other countries. But from 1924 on there was a sudden new interest in the idea of economic councils, and several countries in Europe adopted this institution in one form or another.

The stimulus responsible for this development was wholly economic. The period from 1925 to 1929, though bringing prosperity to many countries, created also many complex industrial and financial problems with which the parliaments seemed unable to cope. The view spread that governments should be assisted by competent councils in order that political preoccupations might give way to economic interests and action. Outside of Europe, in such countries as Mexico and China, the idea of councils was suggested by the effort to promote new economic developments in which industrialization was to play an important part. With the industrial depression of 1929-31, the idea of an economic council emerged in Great Britain and in the United States as a measure for coping with the business cycle and for promoting industrial stabilization and economic co-ordination. Thus, since 1925 the economic council has tended to spread and to be regarded more widely as an instrument for handling a variety of problems.—*Extracts, see, 1, p. 128.*

## Economic Councils Today in Other Countries

by Lewis L. Lorwin

At the present time there are fourteen countries in which economic councils exist or are provided for. These countries are Great Britain, France, Germany, Czechoslovakia, Portugal, Spain, Italy, Rumania, Poland, Soviet Russia, Yugoslavia, China, Japan, and Mexico. Some of these councils are designated as such, while others appear under other names.

There is a great diversity of form, function, and method in the councils of these different countries. In Germany, Poland, and Yugoslavia, there are special articles in the constitution providing for their establishment though leaving the determination of their functions and powers to the legislature. In the other countries the councils exist either on the basis of a statute or of an executive decree. This determines the legal status of the council, which may be that of an adjunct to the Prime Minister's office, as in France, or that of an independent body in the political and legal system of the country, as in Germany or Italy.

Differences in the size and composition of councils are considerable. The membership varies from 47 in France to 82 in Spain, 150 in Czechoslovakia, and 326 in Germany. Some councils, for instance that of France, have a number of alternates with limited rights, which increases the total membership.

As a rule, the provisions as to qualifications for membership demand that a member of the council be a citizen of the country in full possession of his civil rights and connected with some economic group or profession. The length of service in the councils varies from country to country, being six years in Germany, two in France, three in Italy and Czechoslovakia. In many of the councils, a major part of the membership is renewed every two or three years. Women are usually admitted to membership on the same basis as men, but as a matter of fact they have been members of councils only in Germany and France.

In some countries the members of the council are elected by economic organizations and trade associations which are designated for that purpose by the government. In other countries the members are nominated by the government from a list proposed by trade associations or are appointed directly by the government. In a few countries, there are ex officio members from the government or the civil service.

The economic councils of most countries are composed of delegates from economic groups such as agriculture, industry, commerce, banking, transportation, and the professions. As industrial conditions vary, different groups have different positions in the councils of the several countries. Consumers are represented through co-operative associations, through municipalities, and through the major organizations of women. In some cases experts are delegated directly by the government. In Czechoslovakia, provision is made also for the proportionate representation of territories and linguistic minorities.

Special provision is usually made that employers and employees be represented in the councils in equal numbers. Where such is not the case, the different social classes are represented not in equal numbers but in accordance with their presumed economic importance.

The councils also differ in the way in which they carry on their business. Some work through general sessions, while others, including those in countries where they have been most active, carry on through committees. As a rule, the councils formulate their own by-laws governing the system of voting. Generally, reports are adopted by a majority vote, while recommendations must have a two-thirds vote. Provision is also made for minority reports in case of disagreement.

Considering all these differences, one could classify economic councils in several ways. But what seems important here is their classification on the basis of functions and method of composition. From this point of view, the councils may be grouped into three main types:

*The regulatory planning type* includes councils which exist as part of the administrative system of a planned economy and which are given specific powers to regulate or direct industry. At the present time only one council may be said to conform to this type, namely, that of the Soviet Union. The Council of Corporations (Consiglio Nazionale delle Corporazioni) in Italy is conceived more or less according to this type but as yet does not function as such.

*The representative advisory type* includes councils such as those of Germany, Czechoslovakia, and France, which are composed of representatives of the different economic groups of the country and whose function is primarily that of advising the legislature and the government on economic and social matters.

*The appointed consultative type* includes committees and

councils which are composed either entirely of government officials, or partly of private persons and partly of government officials, and which are attached to the government or to one of its departments for purposes of consultation and technical information. Perhaps the most interesting example of this type is the Economic Advisory Council of Great Britain.

Some of the existing councils do not easily fall into any one of the three types, as they embody elements of two or three. Also, as the legislation governing councils changes, the very bases of the classification are affected. For the time being, however, most of the councils in existence may be arranged under the three classes given.

The economic councils which have had the longest and most instructive experience are those of the Soviet Union, Germany, and France. The Supreme Council of National Economy of the Soviet Union is in a class by itself, being more directly connected with the problem of economic planning but the history and experience of advisory economic councils are best represented by the Councils of Germany and France, the German Provisional Economic Council (*Der Vorläufige Reichswirtschaftsrat*) holding first place in Western Europe in continuity and experience.\*—*Extracts, see 1, p. 128.*

## State Planning Commission of Soviet Russia

THE formulation of the national program of planning is a function of the State Planning Commission of the Union of Socialist Soviet Republics. This commission is known as Gosplan. Gosplan is a branch of the Council of Labour and Defense, and is the official advisor of both the Council of Labour and Defense and of the Council of Peoples Commissars. Its recommendations are enforced by the authority of these two bodies and of the Central Executive Committee of the Union.

Gosplan is divided into three sections, known as the Social Economic Sector, the Producing Sector and the Reconstruction Sector. Under its authority also comes the Institute for Economic Research and the Central Statistical Administration. Subsidiary to and affiliated with the Union Gosplan are Gosplans of the seven Union Republics or political subdivisions of Russia. Within smaller political subdivisions there are additional planning commissions.

The Supreme Economic Council of Russia is subordinate to Gosplan and consists of an organization with the single function of the control of industrial production. There are separate commissariats of trade and transportation, exercising control over these branches of business. Basic data on the anticipated volume of business in trade, transportation and manufacturing industry are supplied by the planning sections to Gosplan which com-

pletes the planning programs and transmits them to the controlling bodies for their definite guidance. The Economic Planning Section of the Supreme Economic Council supervises the operation of the planning boards for the combinations, trusts and individual industrial enterprises. In addition to the five-year plan formulated by Gosplan there are annual and quarterly plans definitely stipulating the volume of production in each industry.

## Proposals for Economic Councils in the U. S.

IN addition to the plan embodied in the La Follette bill, there are about 30 other suggestions for long-range economic planning under discussion among industrialists, economists and publicists throughout the country, a list of which is being compiled by the Bureau of Foreign and Domestic Commerce of the U. S. Department of Commerce. (See page 118.)

As samples of the various suggestions that have been made, the DIGEST gives the following summaries:

1. The Swope Plan, to develop planning through trade associations independent of Government action.
2. The Chamber of Commerce plan of the United States for a central economic council independent of the Government to inform and advise industry on planning.
3. The Chase plan, calling on the Government to exercise compulsory powers in putting planning into effect.

A list of all plans so far available will be found on page 118.

## The Swope Plan

ALL industrial and commercial companies (including subsidiaries) with 50 or more employees, and doing an interstate business, may form a trade association which shall be under the supervision of a Federal body referred to later.

2. These trade associations may outline trade practices, business ethics, methods of standard accounting and cost practice, standard forms of balance sheets and earnings statements, etc., and may collect and distribute information on volumes of business transacted, inventories of merchandise on hand, simplification and standardization of products, stabilization of prices, and all matters which may arise from time to time relating to the growth and development of industry and commerce in order to promote stabilization of employment and give the best service to the public. Much of this sort of exchange of information and data is already being carried on by trade associations now in existence. A great deal more valuable work of this character is possible.

\*For details of the German and French Councils see "Advisory Economic Councils," by Lewis L. Lorwin.



3. The public interest shall be protected by the supervision of companies and trade associations by the Federal Trade Commission or by a bureau of the Department of Commerce or by some Federal supervisory body specially constituted.

4. All companies within the scope of this plan shall be required to adopt standard accounting and cost systems and standardized forms of balance sheet and earnings statement. These systems and forms may differ for the different industries, but will follow a uniform plan for each industry as adopted by the trade association and approved by the Federal supervisory body.

5. All companies with participants or stockholders numbering 25 or more, and living in more than one State, shall send to its participants or stockholders and to the supervisory body at least once each quarter a statement of their business and earnings in the prescribed form. At least once each year they shall send to the participants or stockholders and to the supervisory body a complete balance sheet and earnings statement in the prescribed form. In this way the owners will be kept informed of the conditions of the business in such detail that there may be no criticism of irregularity or infrequency of statements or methods of presentation.

6. The Federal supervisory body shall cooperate with the Internal Revenue Department and the trade associations in developing for each industry standardized forms of balance sheet and income statement, depending upon the character of the business, for the purpose of reconciling methods of reporting assets and income with the basis of values and income calculated for Federal tax purposes.

7. All of the companies of the character described herein may immediately adopt the provisions of this plan, but shall be required to do so within three years unless the time is extended by the Federal supervisory body. Similar companies formed after the plan becomes effective may come in at once, but shall be required to come in before the expiration of three years from the date of their organization unless the time is extended by the Federal supervisory body.—*Extracts, see 2, p. 128.*

## The Chamber of Commerce Plan

INDUSTRY should attack its economic problems as it has successfully attacked its physical problems—by charging scientists with the duties of research and supporting their findings in a manner to make them effective. To carry this out it is necessary:

To appoint a Council, preferably of three members, five at the most, composed of "men of the very highest ability and integrity" whose experience and background will enable them to understand sympathetically the circumstances of all the essential elements of our industrial life, but they must think and act for the country as a whole, and be without obligation to any particular constituency. The members of the Council should give all their time to the work and should be liberally paid.

The Council should be appointed by a large appointing board, to be selected by the Chamber of Commerce of the United States, and representative of a group of interests

including the U. S. Department of Commerce, the Chamber of Commerce of the U. S., labor, agriculture, manufacturing, banking, railroads, public utilities, distributive trades, the law, engineering and professional economists. The members of the Council should serve for three year terms, at the end of which the appointing board shall consider reappointments or changes.

The Council "should not represent any particular interests" but "should be a body of impartial men of recognized ability and public leadership."

The appointing board, in selecting the Council, should "recognize its great responsibility, and should be in a practically unanimous agreement, as to the breadth, ability and impartiality of its choices."

The Council would be expected to set up, by methods decided upon by it, various committees and boards to represent all the different industrial, agricultural, labor and other groups throughout the country.

The Council would cooperate closely with existing trade associations and encourage them to establish strong central committees or councils to study in detail the problems of the coordination of production and consumption, stabilization of employment, etc., within their particular industries.

The Council should have a permanent and adequate staff of able economists, statisticians and men of affairs to carry on the various studies that would be necessary.

The Council should be charged with "the immediate and continuing responsibility for suggesting policies and measures" which will "enable our country to direct its unprecedented powers of wealth-production into channels that will insure our social and economic well being."

The Chamber of Commerce of the United States should take the initiative in establishing the Council, but after it has been established the Council "should be entirely independent in its deliberations and judgments."

If there is sufficient agreement among the various interests involved in the establishment of the Council ways and means to finance it could be found. The problems of financing should be worked out by the Chamber of Commerce of the United States in cooperation with the appointing board.

## The Chase Plan

THE principal function of the proposed Peace Industries Board would be to draft a ten-year plan for the United States and to supervise its execution when accepted. In structure it would be patterned, to some extent, after the War Industries Board as finally organized in 1918 with practically autocratic power over production. It would be composed of not more than ten members representing the government, industry, labor, agriculture and the professions. The staff of the Board would consist of a large group of competent technicians and a smaller number of business executives.

The work of the Board would be divided into 9 functional divisions and 20 or more commodity sections for each major industry. The functional divisions would include the following: planning and statistics, investment and banking, conservation and waste, labor relations, dis-

*Continued on page 128*



## Action Taken by Congress on Economic Planning Bills

WHILE many measures have been introduced in Congress during the past two years aimed at the stabilization of industry, it was not until late in the final session of the 71st Congress that the definite proposal for a Government body to effect comprehensive industrial planning appeared.

Holding the view that the Federal Government should be the guiding factor in the creation of a central planning body Senator La Follette introduced the first bill for this purpose. The House bills on this subject are listed below. As chairman of the Senate Committee on Manufactures, Senator La Follette arranged for hearings before that committee to bring out all the various views on the subject.

A brief chronology of Congressional action on the problem of national economic planning follows:

1931—On February 17, Senator Robert M. La Follette, Jr., Wis., R., chairman of the Senate Committee on Manufactures, introduced a bill Feb. 17 (S. 6215, 71st Cong., 3rd Sess.) providing for the establishment by the Government of a National Economic Council.

Senator La Follette also introduced a resolution (S. Res. 460, 71st Cong., 3rd Sess.) authorizing and directing the Senate Committee on Manufactures to study plans for the stabilization of industry by long-range planning, which the Senate passed on February 20.

On October 22, pursuant to the provisions of S. Res. 460, a subcommittee of the Committee on Manufactures began hearings on S. 6215. The members of the subcommittee are Senators La Follette, chairman, Senator H. D. Hatfield, W. Va., R., and Senator Morris Sheppard, Tex., D. The hearings were continued until December 19. Sixteen full days were given to the hearing of leading proponents and opponents of long-range economic planning.

On December 22, Senator La Follette introduced a new bill (S. 2390, 72nd Cong., 1st Sess.) for the establishment of a National Economic Council to take the place of his original bill. This bill is now before the Senate Committee on Manufactures, the subcommittee having reported it to the full committee.

1932—Three bills have been introduced in the House at this session on the subject of long-range economic planning and stabilization. They are H. R. 8933, by Representative T. R. Amlie, Wis., R., identical to the La Follette bill, referred to the House Committee on Ways and Means; H. R. 9315, by Representative S. H. Persons, Mich., R., referred to the House Committee on Interstate and Foreign Commerce, and H. R. 5317, by Representative Louis Ludlow, Ind., D. The Ludlow bill embodies the plan of the Fraternal Order of Eagles for a Governmental Industrial Commission to act as a fact-finding body which shall report its findings on economic and employment conditions to Congress. A hearing on this bill was held by the House Committee on the Judiciary, on March 2, 1932, but the committee has not acted on it.

## The La Follette Bill

SECTION 1 provides for the establishment of a National Economic Council composed of nine members to be appointed by the President "with the advice and consent of the Senate," the members of the Council to be selected "on the basis of their acquaintance with and understanding of National economic problems" and "shall include at least one expert on the following matters: Industry, finance, transportation, labor relations, agriculture, and scientific management." Members of the Council would be appointed for four-year terms at a salary of \$15,000 each and during their service on the Council would be prohibited from engaging in any other business, vocation or employment. A chairman of the Council is to be appointed from its membership each year by the President and a vice chairman is to be elected each year by the members of the Council.

Section 2 sets forth the duties of the Council as follows:

1. To keep advised with respect to general economic and business conditions in the United States.
2. To consider economic problems affecting the economic situation in the United States.
3. To endeavor to formulate proposals for the solution of such problems.
4. To make an annual report to the President, with recommendations, if any, for necessary legislation or other action.
5. To make, from time to time reports and recommendations on particular economic questions to the President, to the Congress and to the appropriate economic associations or organizations interested.
6. To initiate the organization of councils or associations within the various major branches of production, distribution and finance, to consider economic questions affecting their operations, to consider recommendations from such associations on policies and measures. The National Economic Council is specifically directed not to "recognize any such council or association unless it is truly representative of the economic interests" of the industry concerned and, in case such council or association is not considered representative, to encourage its reorganization or the creation of a new council or association that shall be representative.

To make rules and regulations and to issue subpoenas and compel the testimony of witnesses and the production of documentary evidence.

Members and employees of the Council are forbidden, under penalty of fine and imprisonment, to divulge any business secrets acquired by them in the course of their duties.

The Council is given the usual authorization as to the employment of personnel. The offices are to be located in Washington.

The sum of \$500,000 is authorized to carry out the provisions of the Act.

## Progressive Conference Report

THE true objective of planning is not stabilization at any static level, but regularized growth. It is the full utilization of our powers of production, which are continually growing, in order that our consumption may grow correspondingly. To this end the purchasing power of the masses must be maintained and must expand. Viewed from the other side, then, the objective is the progressive raising of the purchasing power and the standard of living of the people to the full extent which our powers of production make possible. Increased production and a raised standard of living must go hand in hand; neither end can be gained without the other.

Granted this objective, the means of breaking out of the vicious circle are still not obvious. One thing which might help would be to insure that income destined to expenditure for goods should fluctuate less than the financial volume of production. If incomes were reasonably stabilized, the resulting sense of security would probably further stabilize the spending of them; and so, by stabilizing industrial activity, tend further to stabilize incomes themselves. The results of movements toward stability would be cumulative, as those of instability now are. This calls for unemployment reserves or unemployment insurance.

Another major objective is greater equality in the distribution of incomes, increasing the proportion going to wages and the lowest salaries, to farmers, and to the lower income groups in general. The result will naturally be that more income will be spent for consumable products, thus striking at the problem of restricted demand for the things mass production is waiting to produce. This seems more useful than undue emphasis on increasing the savings of the well to do, especially as those "savings" are so likely to be dissipated in sustaining stock-market booms or in wasteful duplication of productive facilities.

It is especially vital to raise the lowest wage rates, which are inadequate to sustain a demand for the requisites of comfortable and hygienic existence. This would incidentally contribute to successful planning since these demands are easier to anticipate and to plan for than demands for luxuries.

More specific objectives include the following:

Improving or eliminating the high-cost concerns which are often responsible for these lowest wage-rates, being unable to pay more.

Discovering and bringing about a desirable balance between productive equipment and demand, with provision for adequate anticipation of growth.

Discovering and stimulating ways of utilizing capital not needed to finance mere quantitative expansion in existing industries—e. g., new products and more intensive use of labor-saving devices, in proper balance so as to avoid "technological unemployment."

Maintaining a balance between savings and expenditures of capital funds for productive equipment, and bringing about conditions conducive to a fairly steady rate of both.

The control of conditions leading to fluctuations in the various parts of industry which are more intense than the

fluctuations of sales to ultimate consumers. This requires regularization of capital expenditures and of the flow of raw materials, intermediate products, and finished goods through the various stages of production and distribution. Fluctuation of stocks of goods are a disturbing element, at least in parts of the industrial system.

The bringing about of stabilization of prices and price levels to the fullest extent possible, but not a price system pegged at certain points only.

The canvassing of possibilities of latent as well as actual demand.

We have chosen to advocate planning of the voluntary sort without giving any public body power to draw up schedules of production and compel adherence to them. The natural question with reference to this type of planning is whether it has power to make any real difference to forces so powerful as those which topple business against its will from prosperity into depression.

If we test proposals for planning by asking what they could do to save the situation if once a major depression got under way, the answer will be discouraging. But that is not a fair test, since the most important work of planning is preventive in character. To take a single instance, if the stock-market mania of 1929 had been checked, the depression that followed would not have been so severe. Not only would domestic conditions have been sounder, but Europe's finances would not have suffered the disastrous strains that resulted from her loss of funds attracted by our speculative boom. And the world-wide decline in prices, probably due in any case, would probably not have been so sharp and heavy.

Planning can not prevent all disturbances that shake the economic system. What it can hope to do is to mitigate or curb those features of the system which cause disturbances to spread and intensify cumulatively; and to prevent business from getting into such a top-heavy condition that outside disturbances will start it on a long downward slide. Even this will be sufficiently difficult. Private business has not failed, but laissez faire method of keeping people at work and machines at work has failed to accomplish enduring results. It is both logical and urgently necessary to give business the chance to try a different method.

The main hope of results lies in the combination of scientific fact finding directed to uncovering the causes of instability, a standing organization devoted to the problem, and representation of all the interests involved, which between them have a far larger stake in stabilization policies than single business enterprises feel. No one of these above would be sufficient, but from the combination of all of them some results may fairly be expected.—*Extracts, see 2, p. 128.*

by George Soule

It is difficult to say in advance in anything like detail what a national economic council could do, but you may out-

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by Charles E. Mitchell

I AM as anxious as any one to speed the adoption of any measure that gives promise of saving us from such painful experiences as we are now passing through. The business of the National City Bank is to finance American trade and industry, and our prosperity is linked with that of our clients. We have every reason to strive for the prevention of business depressions, and for the suppression of the extravagant booms that lead to depression.

We are, however, frankly skeptical that this ideal can be realized. So long as we live under a system of individual liberty we are bound to have fluctuations in business. Freedom for the individual to engage in whatever business he chooses, and to develop that business is accordance with his talent and judgment, is a privilege which all Americans cherish. It involves, however, the freedom to make mistakes. Great movements of mass psychology sweep people to extremes of optimism and apprehension, and such movements are exceedingly difficult to control. The American people are particularly subject to such extremes. Inevitably, therefore, this individualistic economy results in periodic maladjustments which involve us in serious difficulties. Nevertheless, despite these faults, I do not believe that our people will tolerate any other system. All through history the constant struggle of mankind has been for more freedom; and mistakes are among the penalties that have to be paid for freedom.

With regard to the proposed National Economic Council, any views that I might express will naturally depend a great deal upon the character and jurisdiction of the organization that is set up. I take it that Congress has no intention of imposing upon American industry and agriculture an arbitrary authority to tell the American business man what and how much he shall produce, the American farmer what and how large crops he shall grow, or the American wage earner where he shall work, how long, and for what wages. Assuming a body of supermen to compose such a council, and a public willing always to abide unselfishly by its decisions, there is no question but that a controlled economy of this sort would function with less friction than does our system of free individualism. Unfortunately, however, we live in an imperfect world, and must think realistically. I do not believe that as a practical matter any group of men that could be assembled is wise enough to exercise unlimited dictatorial powers in so complex a field as business. Moreover, anyone who knows the American people must realize that any such invasion by a public authority of the field of private enterprise would be bitterly resented.

If what Congress has in mind is a body of experts devoted to a careful study of conditions, and charged with the purpose of acting largely in an advisory capacity to industry, I do not see any very serious objections to the plan; and it is possible that such a body might be useful in various ways. I am thinking not only of studies which it might make of business conditions and trends, but also of other possible fields of usefulness, such as, for example, acting as a medium for such needed liberalization

of our antitrust laws where action of this kind is desirable to prevent wasteful competition.

I am afraid, however, that if this system of economic planning is to be a voluntary one—and this is the only kind the American people will tolerate—the results are going to be disappointing to its sponsors, and there may be a feeling that the funds appropriated for the support of the undertaking have been largely wasted. On matters of giving counsel, my observation has been that it is one thing to give counsel, and another thing to get people to follow it. I am reminded, for example, of the results of the Farm Board's campaign to get farmers to reduce their acreage in the face of overproduction. Not many years ago the Department of Agriculture, after a careful study of the world cotton situation, issued a warning that conditions of supply and demand pointed to a probable decline in the price. While a warning of this nature should certainly fall within the duties of any such body as a national economic council if the latter is to guide and advise industry, I recall that this particular bit of advising by the department resulted in such protests by southern interests, through their Representatives in Congress, that the department was forbidden to issue price forecasts in the future. In the light of these and many other similar repeated instances of disregard and even disapproval of the legitimate efforts of properly qualified bodies to stabilize production and business, I can not help being skeptical as to the ability of the proposed new economic council to be any more successful in imposing restraints and effecting adjustment where such action runs contrary to the popular psychology of the moment.

Only recently I have been reading of Germany's experience with a newly constituted economic advisory council which is illustrative of some of the difficulties involved in such a venture. This council was convoked recently by President von Hindenburg to draw up a comprehensive economic plan to tide Germany over the winter months. According to a press dispatch of November 20, this body had already become involved in apparently hopeless disagreement, due to clash of different interests. Instead of there being unanimity of front in the face of the common crisis, "it was soon learned," says the dispatch, "that the members were far from agreeing, and were inclined to stick to their individual or group interests on all essential points." Three men representing the agricultural interests walked out, refusing to participate further in the discussion; and rumors were reported of an intention on the part of trade-union representatives to follow the example of the agrarians. The incident is significant as indicating that when a clash of interests develops within an economic advisory board, the organization is more likely to give way than the differences to be reconciled. If they are reconciled, the result has all the weaknesses of compromise.

Another reason why I do not favor the proposal under consideration is because I do not believe that statistical analysis is, or ever can be, an exact science. There are always elements of uncertainty in every situation that can not be measured, and which may throw the most carefully prepared calculations wide of the mark. Even among experts there is frequently a great variance of

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Soule *Cont'd*

line a line of action that would probably be helpful. In the first place, it could get a comprehensive view of the situation, of the standard of living of the population and with respect to the different income classes in different sections of the country. It could find out where the lowest levels of purchasing power were in what industries and in what sections. It could find out, for instance, where the poverty standards exist in the bituminous coal industry and in parts of the cotton textiles industry, having as an objective the raising of general standards of living. It would immediately turn its attention to a proper organization of those industries in order that the workers in them might have larger purchasing power. That I think is not an impossible job. It would examine many proposals that have been made for reorganization of the coal industry, for instance, getting the best advice it could, and when it arrived at a plan which seemed to give hope of putting that industry on its feet, it would come to Congress and ask for appropriate legislation. I do not think the same type of organization would apply to every industry. I think various measures would have to be suggested according to the nature of the particular industry and the troubles in which it found itself. I am of the opinion that in the case of the coal industry some governmental control would certainly be necessary and that even regulative action probably would not be enough. I think we should probably have to have something like a publicly owned corporation to operate the bituminous coal industry, and, on the other hand, in certain other industries the public utility set-up might be used, and in certain others even trade associations might be sufficient.

Such a council having turned its attention to the proper organization of the various industries to accomplish the main object of the planning, and having begun to bring them more or less into line, could work out general production programs based upon its forecast of the purchasing power of the consumers over a period of, let us say, 3, 4, or 5 years. Then you would have a production program that was based not on the idea of contraction or not on the idea of the existing inadequate situation, but on a well-defined project of enlarging the popular purchasing power. The program could be elaborated for the several industries. All of the organizations within those industries having production programs of this kind, you would have a guide to the proper investment of new capital, to employment policies, and so forth. You would have the basis at hand by which steps to prevent over-expansion of credit and overinvestment of capital, overbuilding, and so forth, could be applied. And that leads to another activity which should be under the supervision of such a board, which is the process of new capital investment. I am not sure that mandatory power over that would be necessary. It might be that the mere collection of the information as to how much new capital we were securing, where it was coming from, and where it would go would be sufficient. In other words an intelligent production program would be all that would be necessary. Such things as that could be left to the future.

As an example of another type of organization that

such a body might attend to, let us take the building or housing industry. At present the building industry, which exists on a speculative basis, never provides adequate new housing for those in the lower-income groups. It periodically overbuilds in the matter of expensive housing and runs into depression in that way. It does not provide housing for those in the lower-income class, because there is not sufficient profit in it.

Now, there is a large field in which there is possible expansion of industrial activity, of national income and of the purchasing power of the consumers, provided some proper organization were created to take care of it on the basis of sound regional planning and large-scale operations. In other words, such a council would constantly be looking for ways of meeting the fundamental demands of the population which were not being met under the ordinary stimulation of competitive business for profit.

You must think, first of all, of the correlating agency at the top to take care of the more general aspects of an economic policy and to knit the various industries together in their broader activities. Without that I do not think the individual industries could do very much. In saying that I do not mean to say that I think a small body of men or a board could run the details of the different industries of the country. Far from it. I think each industry would have to be organized as a unit and would have to attend to many of its own problems. I also think that the interrelations between the separate industries and national economy as a whole, things like credit and the labor policy and a more or less generalized production program, would be absolutely necessary before any one industry would have the framework within which it could proceed to solve its own problems.

We would have to begin with a council which does not have administrative power or powers comparable to those exercised by the line in the Army and the executives of industry, but which does correspond to the general staff of the Army or the experts and advisers who exist in a well-planned industrial organization at the present time. I think we should have to give this council the duty of setting up within each industry an organization which was appropriate to the problems of that industry. It would, of course, call upon industry itself to participate in the framing of those plans. It would have the power to reject any plan proposed by an industry which it did not approve in the light of the general objective and it would then have the power to recommend to Congress any necessary legislation to bring about plans which were approved. It would of course make use of all existing statistical sources of information to present a correlated picture of the situation so that it might find out what would have to be done in order to pursue the objective of raising the standard of living. It would have to have a wide scope in working out and submitting to Congress any other measures which it might deem advisable, such as better organization of the credit and investment situation, a better organization of the labor market, and so forth. In other words, it would have no power of its own initiative to actually order industry to do anything. That power naturally rests in Congress, and I do not think that Congress should delegate it at the beginning. However, I think such an agency would need to be a council with the definite instruction to prepare at least the beginnings of a national economic plan, to be submitted piecemeal to Congress.—*Extracts, see 2, p. 128.*

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Mitchell *Cont'd*

opinion as to courses to pursue and remedies to adopt. Already there are numerous well-qualified organizations, both of public and private nature, disseminating carefully prepared information regarding business conditions; and I doubt that even such a body as is now proposed would be able to add a great deal to what is already available. Moreover, it seems to me that the record of statistical forecast over the past few years is scarcely such as to warrant the assumptions of reliability which to my mind are implied in this bill. During this period we have had several outstanding instances where statistical and economic services of highest repute have gone as wrong as the most ignorant economic amateur. Doubtless the members of this committee will recall the publication in 1929 of the results of an exhaustive inquiry by a most astute council of economists, industrialists, and bankers into economic conditions in the United States under the title of "Recent Economic Changes." This was based on studies prepared for the most part by the staff of the National Bureau of Economic Research of New York, a nationally known organization of highest standing in its field. Yet we find in the concluding chapter summarizing this report, rendered on the eve of the depression, the statement that "perhaps no serious setback will occur for years to come!"

I do not mention these instances of failure to foresee coming events with any derogatory intentions. I simply refer to them as illustrating the limitations of economic analysis and forecast even under the best conditions. Realizing this, I can see a possible danger in setting up a semipublic body with all the prestige of the Government behind it, purporting to be able to guide and advise business about the future. I fear that such a body will encounter one of two alternative fates. Either it will set out boldly with the determination to be an influential factor in the business world, with the probability sooner or later of disastrous consequences, or else it will adopt the safer policy of confining itself to the collection and distribution of statistical information, with perhaps some cautious general conclusions of its own regarding business; in which case, of course, it will avoid the pitfalls of aggressive action only to resign itself to a position of futility.

In expressing my skepticism of the measure before the committee, I do not want to appear unfriendly to efforts to improve the situation. I can not help feeling, however, that business will be governed best by the natural laws of supply and demand, which will control the situation more effectively than the best-intentioned regulatory or advisory body imposed from above could possibly do. This is not a counsel of despair, as I have heard it termed before this committee, but a counsel of common sense. Business, in the last analysis, is nothing more than the exchange of goods and services of each member of the community with one another. It gets out of order when the volume of goods and services coming into the market is not in the right proportions, so that the markets no longer clear themselves, goods pile up, and the equilibrium of purchasing power is upset. Of course, where the

whole world is the market, as it is nowadays, the mechanism of exchange becomes vastly more complicated, and there is more opportunity for disturbance along the line. Nevertheless, the principle is the same. In the world market, tariffs, psychological barriers created by fear, and artificial restrictions of all kinds on the free adjustment of prices and costs, are among the factors which tend to delay the restoration of the needed equilibrium. Time and time again it has been proved that well-intentioned efforts to stay the pressure of economic readjustment have only made matters worse. Government will perform its best services to industry if it permits a full freedom for the forces of supply and demand to work out in the normal way, confining its own activities to vigilance that the rules of fair play and equal opportunity for all are not transgressed.

In concluding this statement, I should like to point out that prolonged and severe depressions have been comparatively rare in this country. Three of the major depressions experienced over the past sixty years—those of 1873-1879, 1920-21, and 1930-31—have been traceable not so much to defects in our business structure as to the consequences of war. If a council could be organized that would abolish war and its accompanying far-reaching dislocation of normal economic relationships, the most potent sources of business disturbance and depression will have been removed.

My principal concern is that nothing be done to place a handicap upon the exercise of initiative and enterprise in industry. Time and time again we have seen, in an industry well adjusted in point of capacity to its market, new spirits thrust their way forward with new energy and new ideas, creating excess capacity, it is true, but at the same time revolutionizing the industry and giving it a new leadership. This is the history of economic progress. What is our National Economic Council going to do about this? How can we purchase stability except at the price of progress? This, it seems to me, is the dilemma of any system of central planning.—*Extracts, see 2, p. 128.*

by Melvin A. Traylor

I THINK individual industry—units of industry—can do much within themselves in the matter of rationalizing their plant and equipment expansion programs, which means their production programs. I think they can do very much to stabilize within reason their output and their employment of labor. But I think there are factors which must affect all industry which are entirely beyond the possibility of rationalization or control either by industry itself or by any other agency. No industry in America today is independent of world conditions, and yet utterly helpless in large measure to influence those conditions and inevitably is bound to be affected by those conditions. If you could isolate American industries so that they would not be dependent upon other factors than domestic factors, the degree to which you could regulate, stabilize, and rationalize their operations, their employment of labor, and their profits would be greatly increased, but that day no longer exists and those factors

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by Stuart Chase

A PLANLESS national economy if it is to avoid disaster must give way to a planned economy. The ship must be docked and redesigned. It must be reconstructed according to a unified engineering scheme, which is mindful of the number of passengers to be carried, and the proper relationship of fuel to engine to propeller to pumps to siren to galley ranges to power requirements generally. It is only too obvious, furthermore, that an intelligent marine engineer cannot allow a siren so loud as this one, a mast so high, or a searchlight battery so dazzling. The ship after all has to cross the ocean. For that it needs a good propeller far more than ballyhoo. Also, it demands a conning tower, a trained technical staff and a good seaman at the wheel, far more than speeches in the main saloon.

If we are going to have a mechanical civilization—and we have so elected—we have got to control it. It cannot be allowed to drift aimlessly without ultimately wrecking us. A handicraft culture needs neither design nor technical operation; its economic security is guaranteed, save for acts of God, by food and shelter from its neighboring fields. But a great sprawling machine culture, where a million cogwheels must mesh if food is to be forthcoming, must, in my opinion, either plan or some day go to smash.

The billion wild horses of mechanical power have brought us certain manifest assets, and promise us, if they can be tamed, many more.

These assets form an impressive beginning, but the present depression, a phenomenon impossible in a handicraft society, hardly allows us to rest on our laurels. The liabilities are equally imposing, and at the moment the world balance is in the red.

Behind the shoulder of nearly every man and woman in the Republic stand the ghosts of economic insecurity. Day and night they whisper: "How long is your job to last? What is going to happen to you in your old age? When will a machine or a merger displace you? When will your bank fail? How long will your income be forthcoming? How can you further abase your self to hold your position?" A handicraft people have ghosts galore, but not these ghosts. Perhaps they are the most terrible ghosts that have ever wracked mankind.

The liabilities stand ready to crush the assets altogether, failing an early reconstruction of the economic ship.

The bulk of the liability schedule can be liquidated through economic planning within our own frontiers, but one, perhaps the most threatening of all, can be stopped only by world planning and agreement. I refer to mechanized warfare.

To redesign the ship, to cast a society primarily acquisitive into one primarily functional, will never be accomplished without fresh and vigorous thought, and the abandonment of many slogans which now pass for thought. The corporation executive who calls most loudly for less government in business is the first to board a train for Washington shouting for a higher tariff—the

most sublime interference of the state with trade which the modern world knows. To such phrases as "rugged individualism," "the octopus of Wall Street," "free competition," "less government in business," "the dole," "Bolshevism" the reaction, on the part of millions of our fellow citizens, is as automatic and unthinking as the knee jerk.

Yet what is it (to split one of these slogans open) that is crucifying individualism, in its best sense, today? It is that same ghost of economic insecurity which turns us into yes men by the army corps. It is important that we see just how many of our personal aches and problems come from the chaotic organization of the ship we sail in.

If we really want to meet the challenge we are peculiarly fortunate in the United States—as against England, for instance. We can feed ourselves from our own soil. We have the natural resources, despite their shocking waste to date, we have the skilled engineers, the magnificent technical plant, the laboratories, the research bureaus; above all the able and vital population, to work out a national plan for a safe and prosperous journey into the future. We have another potential aid, which very few have realized: the economy of abundance, the clear potentiality of high living standards for everybody. Previous ages have ever lived in an economy of scarcity, with population straining against the food supply. Privileged classes in earlier ages, on the principle of self-preservation, have fought savagely for the maintenance of the status quo. Only bloody revolutions have dislodged them. Today, with more than enough to go around, their opposition, while we may expect it to be bitter, has no such logical foundation. The volume of goods thrown off by a planned society would be sufficient to keep them at the luxury level to which all but their blindest ornaments have been accustomed, and still supply abundance for the wayfaring man. Psychologically, of course, the point is not so clear. The privileged classes may prefer to wreck the mechanism rather than give up the relative grandeur of super-conspicuous consumption.

Until a plan is made we cannot do most of the things which individual Russians, for instance, can do in accomplishing their Five-Year Plan. Even when the blueprint is before us, our part will not be like theirs—to strain every nerve to produce more goods. We are menaced with overproduction as it is. We can not go around salvaging rags and old metal, presenting peasants with hens, or even scouting out new mineral deposits, like the young Pioneers of Russia. But we can school ourselves personally to face a sober future without the easy profits and easy escapes of the pioneer psychology which has so long survived its excuse for being.

For our pioneering days in this Republic are over. The frontier has been reached and the stream backs up. No longer can we bid the young man go West; spear carrying in Hollywood is a career which becomes daily more precarious. The great era of something for nothing, of living by the luck of our natural resources, draws to its close. It may be that the Florida Boom and the Big Bull Market were the last two joy-rides of an age that has passed. Or, we may have one more rocket of speculation before the final reckoning.—*Extracts, see 3, p. 128.*

## Traylor *Cont'd*

cannot be reached by any kind of control, in my opinion.

Domestic economic factors are bound to be affected indeed by the general economic status of the country and they could no more prevent the effects of, let us say, a nation-wide crop failure than they could escape the consequences of any other calamity. Those factors are always present. A general credit stringency, however well they may have planned their rationalization, will affect their operations and their products. There are certain domestic factors which cannot be reached nor controlled.

Taking the case referred to in Mr. Swope's plan of the electrical manufacturing industry, I have this feeling, that that industry is in possession of more facts, reliable facts, with respect to its own industry, not only at home but abroad, than could be gathered by any other agency in any way. That happens to be an industry that is especially well organized. It maintains exhaustive studies; maintains laboratories; it knows the world market as well as the American market; and I doubt if any agency could acquire in any way the facts it possesses as well as the industry itself. Whether and to what extent the facts it possesses and which affect other industries in other lines of activity could be correlated with other lines of activity for the benefit of the whole, I am not able to say, but I do not think that any agency could gather better statistics or even as good as it has about its own industry, and that is true of a great many other industries.

As American industry is organized now, and, to some extent, foreign commerce and industry as well, through such agencies as the International Chamber of Commerce, which touches every line of human activity in an industrial and commercial way, a great volume of facts is being accumulated.

As to their effective use, I am frankly skeptical, because of the weaknesses of human nature and the inclination of each industry and each nation to pursue its own course, as, at the moment, seems best calculated to serve its own interests. I have in mind, for instance, the work that is being done, and has been for a great many years, by our Agriculture Department in the matter of gathering statistics and information with regard to crops from the planting time until the harvest time. I have always been interested in agriculture. I have lived in wheat and small grain countries and cotton countries and at times it has seemed to me that the forecasts by the Government, which ought to serve a useful purpose and which are intended to be of an informative character to producers, I have wondered if they have not done as much damage to American agriculture as good, because they have afforded the basis for speculative operations which have as frequently depressed the commodity market as advanced it, and seldom, if ever, have they influenced at all, in my opinion, the acreage of crops or the production of a particular commodity about which the information was disseminated, and while I have felt for a long time that there should be some coordination of economic

facts which could be made public periodically for the information of the producers and consumers as well, I am frankly doubtful as to what their effects would be.

I was wondering if the effect on industry would not be about the same. Industry knows its own case, in my opinion, extremely well now, and did in 1927, 1928, and 1929. The unfortunate fact nevertheless remains, that the human element is a factor that cold facts do not affect very much. When things are going well, it continues in that direction and in spite of the information that industry is bound to have had, if it was on the job at all, it did not heed any of the obvious signs. Whether it would if those facts were presented by a fact-finding body representative of industry itself and the Government, I do not know. It certainly could do no harm, and it certainly would remove any excuse in the future that any concern could plead by way of alibi that it did not know what the situation was. It would at least record the signs of the times. Whether they would be heeded or not I do not know.

We frequently heard during the last boom that we had reached a new era, which certainly did not impress me. The same factors have been in existence since time began. No; I do not believe in waiting to do it over again. The experiences in this generation ought to be ever present for the rest of this generation for the benefit of the next. We might keep the next generation from making the same mistakes as this generation did. It will probably make mistakes in other directions which might be equally disastrous, but certainly it is the duty of this generation to preserve the record of this period and in every way possible endeavor to avoid a repetition of it in the future either in this or any other generation, and to that extent I certainly favor any organization, scheme, or system that will serve that end.

First of all is the element of human nature to which I have referred, that each individual more or less in this country—and with that theory I agree—wants to run his own business. So long as he is doing it profitably, do you think he is particularly keen to disclose his basis of operation to the other fellow? That is the human side of it. Second, may it not be true that that particular management has some hesitation because of restrictive legislation that might cause him difficulties if he cooperated too far; and, third, the suggestion that occurs to me from that is, How far can we contemplate that a national planning organization, a part of the Government, would go, first in compelling the disclosures of business facts; and, second, in compelling cooperation in a particular industry?

In any field, in any event, where statistics are not now obtainable on the part of agencies of the Federal Government they should be obtainable. That, I think, can be achieved without any difficulty, so long as the private business of the corporation is protected—the source of the information. But once having received it, which certainly, in the case of unemployment, should be the basis of any study or program for the amelioration of unemployment, from the standpoint of legislation, from the standpoint of effecting usefully the information obtained, the question then recurs, how far the Government agency could or would want to go in compelling unity of action in any group of industry or commerce.—*Extracts, see 2, p. 128.*



by U. S. Senator La Follette

At the last session of Congress I introduced a bill, which I have reintroduced at this session, providing for the establishment of a national economic council. This council is to be composed of nine members appointed by the President, with the advice and consent of the Senate. These members are to be selected on the basis of their acquaintance with and understanding of national economic problems. They must include persons thoroughly trained and qualified to consider the problems, respectively, of industry, finance, transportation, labor, agriculture, and scientific management. It will be the duty of the council to study economic trends and to endeavor through the exercise of influence and by cooperation with industry, finance, agriculture, and labor, to secure a planning of our national economy. No power is given to the council except the power to gather necessary economic and statistical data which must be secured, coordinated, and correlated before we can predicate, upon a sound basis, plans for the achievement of an ordered economic society.

While it is true that we have an Interstate Commerce Commission, which is concerned with the problems of the transportation industry; a Tariff Commission, which is supposed to be gathering data upon which to predicate a sound tariff policy; a Federal Reserve Board, charged with the responsibility of effecting a sound credit structure; a Commerce Department, gathering statistics upon industry and business; a Labor Department, gathering inadequate data on unemployment; and an Agricultural Department, securing information regarding the agricultural industry, we nevertheless have no governmental agency charged with the responsibility of coordinating this vast accumulation of information. There is no agency charged with the responsibility of filling in the important gaps and of endeavoring, upon the basis of a comprehensive statistical survey of our economic life, to achieve an organized, sincere, and successful effort to attain a society which will benefit the whole people.

Let's assume that such a council had been in existence during the period from 1920 to 1929. It would have seen and it would have made known to the country—

That we were greatly increasing our productive capacity without raising the purchasing power of the masses of the people to enable them to consume these products.

That while industrial leaders were giving lip service to the doctrine of high wages, real wages, with the exception of transportation and the building industries, were falling instead of rising from 1923 to 1929.

That the enormous accumulation of surpluses on the part of large industrial corporations was resulting in a further excessive expansion of plant capacity, and that a part of these surpluses was being loaned back to the stock exchange and helping to increase the forced draft under the boom market.

That we had adopted too liberal a policy of loaning money abroad, and that this policy was resulting in an abnormal demand for American-made goods abroad,

which in turn was contributing to the excessive expansion of plant facilities and of productive capacity.

That through the mechanization of industry we were creating what the economists call "technological unemployment."

That although there had been progress in the adoption of shorter working time, there were still large industries in which there had been no reduction in the hours of labor.

The council would have driven home the point that in order to secure mass consumption there must, not only be high wages but leisure must likewise be created if the masses are to consume commensurately with increased production.

The council would have told the country that the enormously inflated values of securities had reached an unsound and unjustifiable level. It would have warned the public against the purchase of those securities. It would likewise have pointed out the enormous overcapitalization due to tremendous issues of securities, which could never in normal times secure a return justifying their sale, especially at the prices paid for them.

A council, to be successful, must have complete and adequate data. A council created by business will not have the power to compel information from those who do not wish to give it. The experience of many trade associations proves that the noncooperator can defeat any attempts at planning by refusing to give information. Let me say, however, that the bill which I have introduced provides that no information concerning individual corporate enterprises shall be given to the public in such a manner that it can be identified, thus safeguarding against improper use of information obtained from individuals or corporations. A council based on the theory that it is to achieve results by the exercise of its prestige and influence must have the confidence of the general public. It is my opinion that any council created by private initiative can never obtain the necessary support of the people generally.

There are many problems essential to the success of economic planning which are outside the control of specific industries or of individual corporations, no matter how large they may be. Whether we like it or not, the integration of business has become an accomplished fact. The fiscal, the credit, the tariff, and the foreign policies of the Federal Government has a most important effect upon our economic life. It is my hope that the council, having determined upon achieving the goal of an ever-rising standard of living for all the people, would make recommendations and secure the cooperation of industry in carrying them out. The council would also make recommendations to the President and to the Congress of legislation and public policy necessary to achieve that goal. The idea can succeed only if the council mobilizes the intelligent and forward-looking leadership in industry, finance, agriculture, labor, and Government.

I believe that we must attain a more regularized economic structure; but I do not think of it as being regularized in a static condition. I am not interested in trying to maintain the status quo in our economic life. Devices

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by Gerard Swope

I AM in entire sympathy with having a national economic council, but I need hardly call attention to the fact that the La Follette bill would be creating a new organization in the Government, when already there are several dealing with the subject matter of the bill in the various departments. The bill is intended to cover "industrial, financial, agricultural, transportation, and labor interests of the United States." Industrial and commercial interests are now covered by the Department of Commerce and the Federal Trade Commission, which have built up large staffs, including able and trained economists; financial, by the Federal Reserve Board; agriculture, by the Department of Agriculture, which has built up an extensive data-gathering bureau; transportation, by the Interstate Commerce Commission, and the public utilities are now under the regulation of public service commissions in the various States; and labor, by the Department of Labor. The bill would give to this council a very large problem, to coordinate the work of all the various activities above enumerated, so large that I question whether there would be any adequate results.

Furthermore, it seems to me that this would be working from the top down, that even if you could get the ablest men and the scope of the work was not too broad you would be providing a superstructure resting upon the present chaotic conditions. It, therefore, would have no stable foundation. It undoubtedly would give much interesting academic information, but it seems to me would lead to no practical results except, possibly, over a long period of time.

I should think it would be much better to start from the bottom and build up; that is, each industry should study the elements that enter into such an industry, to give the best service to the public, fair treatment to its employees, and a reasonable return to its stockholders.

Trade associations in America are the natural organizations to study the economic elements of each particular industry. Each trade association should hold itself responsible for the coordination of production and consumption to stabilize its industry, with the consequent benefits to the employees and to society. The organization and furtherance of the work of trade associations should be encouraged.

The trade associations, working out their problems in the stabilization of industry, would then be the foundation stones upon which to erect the superstructure of the national economic council. This might then be created by bringing together the officers, or duly elected representatives, of these various trade associations, to select from their number, or from the outside, a national economic council, to study the needs of industry as a whole. Such a council would consist of men who have come up through the various industries, know those industries and their needs, who would work with others to find a solution to their common problems, and be able to deal with them not only more intelligently but in a more practical

and expeditious manner, so that definite, concrete and constructive results might be expected.

The La Follette bill covers such a tremendous scope, agriculture, finance, trade, industry, and labor, that it seems to me it puts it beyond the scope of any single group of men with their limited experience. It would seem to me much better to build it up through trade organizations, and then you will have at the top men who understand the needs of their particular industries.

If you do that for each of the various industries and then have a similar body from the banking group from the transportation, labor, and so forth, you could bring the delegates from each of these various groups together to form this national economic council. At any rate, each industry then will be a unit as to what it thinks best for its own industry and knows best how to value and interpret the statistics. We have a tremendous amount of statistics, but have never really known how to properly interpret them.—*Extracts, see 2, p. 128.*

by Henry I. Harriman

I FEEL that if there had been in existence an economic council, having the respect of the country, it would have been its duty to have pointed out the excess of speculation in 1928 and 1929, and the dangers of it, and the inevitable collapse that would follow such excessive speculation. I think also that, knowing the nature of these signs in business, one could have felt reasonably sure that at a period somewhere from nine to eleven years following the Great War there would be a marked depression which could have been guarded against. We had such a depression 10 years after the Civil War; we had one after the War of 1812, and there was one which followed the Napoleonic wars. If you believe that history repeats itself, there is ample history in the past to indicate that we might expect a great expansion followed by depression.

I think there should be set up a relatively small economic council that will be well paid and that will have a staff entirely competent to serve it, who will probably have available from a half million to a million dollars a year in order to carry on the work. I believe the three or five members of the economic council should have the highest individual standing and should be paid an adequate salary from the funds available and devote all their time to the work of the council.

I believe that the council should be appointed by business and supported by business, and should be, at the time, at any rate, purely advisory in its character, depending upon the type of men and on the character of its staff for its standing before the country. The problems that it will deal with are fundamental and underlying economic problems of the country, economic and business in their nature.

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La Follette *Cont'd*

which seek to preserve the unequal distribution of the wealth now produced will halt the progress of mankind and in the end will retard or prevent recovery.

We have created a great industrial mechanism. It must be run so that its benefits will be more generously and widely distributed. In the last analysis, in a highly organized industrial world, the welfare of the people as a whole is, I repeat, essential to the welfare of business itself.

My conception of a planned economy is one which will assure an ever-rising standard of living and an ever-increasing purchasing power for all the people and which thus will press production itself to larger and larger outputs and larger and larger successes. Progressivism is not a mere protest. It is a positive program for the enlargement of consumption and production and for the lifting of all human life to higher and more satisfying levels.—*Extracts, see 4, p. 128.*

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by Sidney Hillman

THE tragic economic situation in which we are all caught is one from which we need not continue to suffer. I do not share the belief that we must stand by hopelessly until good luck or the operation of mysterious forces temporarily brings us back to a relative state of prosperity.

In this time of great emergency, with millions out of work, and industry drifting into bankruptcy, no leadership has come from industry, finance, or from any other source to which we have a right to look. The real trouble as I view it is the lack of responsibility for checking the demoralizing forces operating to-day and for proposing and enforcing a plan large and constructive enough to bring general improvement.

The major reason for the lack of leadership is the failure to fix responsibility. Events of the last decade conclusively prove that we can not hope for leadership if responsibility for the creation and carrying out of a national program is not definitely fixed. There is only one way of definitely fixing responsibility. The Government must step in and assume the responsibility for leadership.

Industry has failed to cope with the situation. In the clothing industry we have been unusually resourceful in seeking and putting into effect methods to bring about stabilization. We have gone beyond other industries in putting up employment reserves and employment exchanges. These have helped greatly in stabilizing the industry in normal times.

But even in normal times we did not succeed in achieving complete and real stabilization.

Twenty per cent of the industry which remained unorganized was sufficient to materially interfere with the program that the major part of the industry accepted as being necessary for the welfare as a whole. This fringe has been enough to jeopardize the rest and to become a serious menace to a full constructive program.

No one industry can stabilize itself. Its prosperity is dependent upon the general state of industry and of agriculture.

In our industry we have tried the experiment of voluntary cooperation. Our experience shows that voluntary cooperation is not enough. This is all the more true of less organized industries. The record of times of prosperity shows that those responsible for industry, who should have been thinking in long-range terms and who should have set up reserves in times of prosperity, have failed to assume the full measure of their responsibility.

The problem confronting us to-day is to find jobs for people out of work, and to maintain a standard of living to match our productive capacity. We can not possibly achieve this through planlessness which in the very nature of things must again lead to chaos. Economic national planning is essential to any constructive program.

Planning for the future is the only efficient way of running industry. A system of planned industry would save us from wasting billions of our national income. A plan providing employment for all persons willing to work, maintaining the standard of living and laying aside reserves will not benefit any one group alone. It will give security and comfort to the country as a whole.

This is the conclusion reached after contact of over 20 years with the clothing industry, a most competitive industry, and an industry that has shown a desire for cooperation amongst employers and employees. It will be found that in a special emergency like this, with no general program, the industry is helpless both as respects employer and worker.

No one industry can find jobs, for the people who are unemployed. Naturally no one employer can do it for all. The employer must look to-day to the solvency of his own business. As a matter of fact what they are doing to-day is laying off people.

Any program of that kind would have to be national in scope, and to have it national in scope there is no existing agency. We certainly can not look to the corporations for though they had the most marvelous opportunity when they were counting their profits in the hundreds of millions of dollars—two corporations in 1928 with over a quarter of a billion dollars in profits—still they had no sense of their responsibility to think ahead.

Now, there is no agency outside of the Government that could really enforce a policy. The individual employer who would be willing to do it would go into bankruptcy. A program of that kind would mean an adjustment of our productive capacity. There is no other agency outside the Government that can do it.

Now, on the matter of the standard of living. During the time of prosperity wages went up in certain industries, not sufficiently though to purchase the capacity of our production. During the time of depression we have a steady wave of reduction in wages. Whatever may be said in the newspapers, in the press, that there have been no reductions, those who are in touch with indus-

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## Hariman *Cont'd*

I very much prefer the council that it be made independent of the Government and not dependent upon the appropriations of Congress, but I believe it should work in closest cooperation with the Government, that the Secretary of Commerce and possibly the Secretary of Agriculture and the Attorney General should be ex officio members of an advisory council behind it, that would assist this economic council. I believe that the trade organizations throughout the country should be very much strengthened. I am not at all sure that it would not be wise to have a Federal law for the incorporation of trade organizations, so that they might all be incorporated under a similar statute. I believe every trade organization should by every means endeavor to get its entire subsidiary membership interested in its work, and that each trade organization should have its own advisory board or economic council, which in turn would advise with the national economic council. That is, I view the work of the economic council as dealing with broad, fundamental, and underlying economic questions and not attempting, for example, to solve the problems of the cotton trade, the steel trade, or any other particular trade. I believe that each of these various trade organizations should have their own council, and that these councils should cooperate with, and advise with the national council.

Our present antitrust laws were largely adopted when our economic conditions were entirely different than they are to-day. The interdependence of one business on another, of one workman on another, the interdependence of our entire civilization has changed in the last 50 years. Originally we were a nation of farmers, and manufacturing gradually grew up. We grew up on a strongly individualistic basis. Our whole thought was that free and open competition would settle all the problems of production and consumption. We find that to-day we have an overproductive capacity in many lines. We find that there is no balance between the production at a given time and the buying capacity of the country at that time. The result is a heart-breaking competition which results in business being conducted in very many lines at a loss, or at absolutely no profit. That results in the cutting of wages, in the discharge of people from work, and in general economic disorganization.

Now we believe that the time has come under the very stringent antitrust laws, which may have been warranted in the past, when they should now be reasonably modified, and the Chamber of Commerce of the United States makes two specific recommendations. The first is that if two or more companies want to make a contract in order to balance production and consumption, to so divide between them the demands of the given time, that they be permitted to make such contracts, but in order to protect the public against unreasonable prices those contracts should be filed with some Federal commission and should be subject to the approval or disapproval by that commission. I assume that the commission would probably work in such instances as does the Interstate Commerce Commission or local public-utility commissions. A con-

tract is filed. It takes effect within a reasonable time, say, two weeks or a month, unless in the meantime somebody is objecting or unless in the meantime the Federal supervising commission takes up the matter of its own accord. At any time this Federal commission, having control of certain matters, should have the right to reopen the question and pass upon the necessities of the contract, and if they do not think that the contract is in the public interest, then they should state their reasons for the same, and the contract should be abrogated, or they might suggest some changes in the contract which in their judgment would bring it within the public interest.

I believe that such modification of our antitrust laws would do more to stabilize business, more to prevent wage cutting, and more to put business on a sound basis than any other thing that could happen to-day.

I feel that if the economic council were named and supported by the various trade organizations, such as the petroleum industry, the steel industry, and the cotton industry and the shoe industry, as examples, each one of those industries would be insisting and demanding that its particular problem be made the problem of the larger council. The larger council would lose most of its effectiveness if it had these detail problems presented to it for constant consideration.

An economic council, set up independent of business and not subject to the appointment of a political body, or confirmation by a political body, would be much more representative, would be much freer from any bias, and that, of course, is no criticism of the appointments made by the Executive and the confirmation made by the Senate. This body is to be purely advisory. It is not to have any executive authority. It will depend for its force and effect entirely upon its standing before the community, and so I believe that a board appointed independently of the Government and supported independently of the Government, and not dependent upon appropriations, and demands for economy at any time, would be more effective.—*Extracts, see 2, p. 128.*

by Dr. Benjamin A. Anderson

In general it is not the function of government under the capitalist system to produce or to perform economic services. The actual direction of industry, the decision whether more wheat shall be planted and less corn, or more shoes shall be produced and less hats, is not made by the state or by collective society, but is left to the choice of independent producers. These independent producers make their decisions with reference to the state of the markets. The up-and-down movements of prices and wages determine whether more or less of a given thing shall be produced. If prices are rising in a given industry and falling in another, the tendency is for labor and capital to flow from the industry where prices are falling to the industry where prices are rising. The tendency is, moreover, for consumers to consume less of those goods the prices of which are rising and to consume more of those goods the prices of which are falling.

Oversupply of any given commodity, accompanied by falling prices, thus tends to correct itself, since production declines and consumption increases; whereas the

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# Hillman Cont'd

try know that with the exception of a very few places reductions have taken place and are taking place right now, thereby depressing still further the purchasing power of the community.

Now, how can we possibly hope to get out of that situation if there is no power to guarantee a standard of living that is justified by your productive capacity? We have the question of technological unemployment. In our own industry I would say that to-day we are down to 50 per cent of production of normal times. Technological improvements and efficient methods are constantly decreasing the number of people in the industry. As a matter of fact, in those industries where it does not take a large outlay of money for investment, during this time there are even greater improvements made because every employer is forced to make all possible savings. It is not within the power of any one employer, or even an industry, to lay out a program for coping with this problem. As to the question of unemployment reserves, or employment reserves at the time of unemployment, we in our industry legislated back in 1923, and laid aside in certain markets part of the earnings, contributions of the workers and the employers. In the city of Chicago it was 1½ per cent by the workers and 3 per cent by the employers, and we have distributed in one year to about 20,000 workers close to three-quarters of a million dollars unemployment insurance. If that program had been accepted generally, it would have compelled industry to act for its own good in the times of prosperity. There would have been billions of dollars in reserve at the beginning of the depression in 1929.

It is impossible for industries to do it alone. They won't do it; they have not done it, and they will not do it. The only power that can put it into effect is governmental action. There have been promises as to what industry will do. We know that nothing constructive from the larger point of view was done when they were in position to do it.

The instrumentalities, as I see it, should be a representative of labor—and when I speak of labor I do not mean any particular group, a representative of the employers and a representative of the community through the Government. Any other organization of an economic council will probably lead to fascism. We have too much of it right now. In most industries labor has nothing to say with regard to the running of the industry, and the public has very little to say, and any instrumentality must be guarded against of giving still more power to groups that have not used their power in the past for the public good and, in the long run, for their own good.

I do not like to come down to too fine a program. I think if a proper board is established, under the supervision of Congress, in its own work it will find certain things that ought to be done and certain other things that ought not to be done.

Unless a long term economic planning agency has the power of enforcement it will not accomplish anything much, in my judgment.

Let us take the question of technological unemployment. Suppose an economic council had been set up in 1920. If it had studied the data, later covered by a report of the Committee on Recent Economic Changes, under the direction of President Hoover, they would have found an increase in productivity per person, from 1920 to 1929, of 40 per cent.

We would not have had to wait until 1929 to find that we were facing a problem. If they had taken the other figures given by the same study, they would have found that in the period of prosperity from 1923 there was not a year until 1927 when our number of unemployed was less than a million and a half, going up to over 2,000,000 in 1927.

These facts, interpreted by a committee or council responsible for bringing them to public attention, together with its recommendations, would have given us a program before 1929. Instead of that we spent our time in getting everyone to believe that we were in the midst of eternal prosperity; stocks would always keep on going up and so would wages, and we had solved all our problems; and, of course, the emergency found us totally unprepared.—*Extracts, see 2 p. 128.*

by David B. Robertson

DEVELOPMENTS of recent years have demonstrated the need of balancing production and consumption under a competitive, individualistic theory, which is an historic American policy. There is inevitably an overdevelopment of the forces of production until the disproportion between demand and supply causes a sudden decline and a long period of depression while excessive supplies are being absorbed and a new demand is being created. In other words, I feel that while in earlier times we have had some unhappy experiences which have not been quite as severe as they have been in recent times, there appears to be no machinery now for regulating production with consumption and distribution. There appears to be no machinery available to either industry or to the Government, to capital or to labor, that would tend to keep a check on the development of the industries of the country, the production forthcoming from the industries, and the matter of the distribution of those products, and there has been in some industries greater expansion than perhaps the industry itself, or the country itself, could afford or could absorb. That permits the inflations that suddenly come back to meet us with a very adverse result, and I believe that if an economic council were created to keep a check on the various industries as to their expansions, their productions, and more or less coordinating the various units of the industries in the country so that one unit might know what another unit is doing and thereby not continue to expand to the point of eventually overcrowding our markets with products for which there was no consumption, or no demand, they would be able to keep a more balanced situation in the country and avoid these collapses which follow when we

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## Anderson Cont'd

shortage of supply of another commodity, accompanied by rising prices, likewise tends to correct itself through an increase of production and a curtailment of consumption. Under this system of free, private enterprise with free movement of labor and capital from industry to industry the tendency is for an automatic balance to be maintained and for goods and services to be supplied in right proportions. A social order is created, a social cooperation is worked out, largely unconscious and largely automatic, under the play of the impersonal forces of market prices and wages.

The success of this system, however, depends upon its flexibility and the quickness with which readjustments can be made, and this, in turn, depends largely upon the extent to which it is competitive and free from unified conscious control. If a government or a collective system undertakes to regulate the business of a country as a whole and to guide and control production, there is required a central brain of such vast power that no human being who has yet lived or can be expected to live can supply it. When millions of people are working, each at his own special problem, studying his own special market, making his readjustment piecemeal under the guidance of market prices, the problem is manageable. If a central brain must do the thinking for all of them, chaos is inevitable.

Here, then, is the central contrast between capitalism and socialism—in the problem of coordinating the economic activities of men and making a social order. Capitalism relies upon the unconscious, automatic functioning of the markets. Socialism must do it, if at all, by conscious public planning, a central brain guiding, controlling, and regimenting the masses of men, controlling production, controlling consumption, controlling distribution of wealth, and in a large measure regulating the lives and activities of men.

The ability to understand the highly intricate economic life of today, the ability to see through it and to see the different parts in relation to one another, to coordinate wants and efforts, to distribute resources properly among conflicting claimants—this ability does not exist. The economic theorist can in principle draw up a highly abstract scheme which is useful in solving certain practical problems, but to put flesh and blood upon this skeleton, to make this scheme realistic and concrete, and to use it in the actual regulation of the economic life of millions of men is an impossibility.—*Extracts, see 2, p. 128.*

by Wallace B. Donham

I AM clear in my own mind that this country is not ready for the type of centralized control which would come from any central economic planning body with power. I think that not only is it not ready for it, but I sincerely hope that it never will be ready for it, because I should

consider it the next step to sovietism in its implications. Some measure of control will always be necessary. We see, in such activities as the Interstate Commerce Commission, the control of public utilities, and so forth. Some measure of control and perhaps an increasing measure of control may be necessary in the future, just as our police forces get more complicated with the increasing complexity of cities. I mean control in the sense of giving orders; quasi judicial bodies controlling decisions. I regret every extension of the tendency to centralize control of the decisions—it may be a proper price to pay for the thing to be accomplished, and then I am in favor of it—but I regret the extension of centralized control because I do not think that is the way to run 125,000,000 people, and I do not think it is the best way to get the best and most progressive results out of the complicated situation arising in a very complicated civilization. I think we must stimulate individual initiative, and I am wholly opposed to the principle of control in any economic planning situation, and yet I believe that economic planning is of the essence to the continuance of our civilization.

If you take the first step, that control is undesirable, then the second step is that you want to have it just as agreeable to the people whom you are trying to influence as you can, I do not mean in the sense of soft-soaping conclusions at all; I mean in the sense of their feeling that they have a part in it, because unless they have a part in it I believe nothing will be accomplished that is important. I do not believe that short of giving absolute orders, the great industries of this country would be greatly influenced by a body in which there was no representation of the industries in a very direct way. I think, moreover, that there are two functions to be performed. One is the function of giving an intelligent basis for action.

Such research, I think, cannot be organized effectively through a big group. I think it needs to be a very small group. It is almost an executive job. The executive control of problems of research, as I know from long experience, so that you avoid waste and get effective results in research, is an exceedingly complicated and difficult thing. I think there should be a body which is a small compact thinking body running a agency which has the ability to get economic facts, a thinking job, a job of finding critical facts that are needed, and interpreting them in terms that may effect action. I think such a small body should be backed up by a larger representative body with which it is in closest touch. That large body should be very definitely appointed by the great industries and by the small industries, by the farm interests—which I consider a business interest—by labor. I would make this second body representative and with as powerful a backing of the industries as possible because, if it is that, it will be influenced by the thinking bodies; and I would have a large part of the small, compact thinking body, chosen either by or from a list furnished by the larger and more representative body. In other words, I would almost say that the function of the Government is to set going the machinery that industry may use and see if it has the vision and capacity and social sense to do it, rather than to go beyond that and make that machinery operate.

But from my own standpoint, unless it had influence rather than power, such a body would fail. I would take away every vestige of power; I would not give it

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Robertson *Cont'd*

finally find that we have more production than we have distributing methods, or demand for.

In that connection I believe that a step should be taken in the direction of encouraging a greater degree of co-operative discussion of our whole industrial situation of the country. For instance, to-day the industries of the country are not only controlled, except in so far as Government functions extend to regulate, but they are handled in detail, not only by but for the interests of capital or the investors in the industry. The Government, the people, and particularly the employees who are part of the consumers of the country, have little or nothing to say with regard to industry or the methods in which it shall be handled or the manner in which it shall function. I do not say that with any disrespect to the system that has been continued in our industries for years, but I say it with respect to our failure to profit by our experience of the past and thereby take some steps to provide additional safeguards for the future. I might elucidate that a little with this further statement: In our experience in the railroad industry we have found in recent years that both the operator, the worker, and the investor profit if they can sit down and discuss each others problems. The investor in the railroad industry has a certain interest, the operator has a certain interest, and the worker has a certain interest, and the public comes in for another interest, and I believe that with the railroad industry—and I think that what I say with respect to the railroad industry applies equally with respect to all industries—I believe the railroad industry would be in a much better condition to-day financially and otherwise if as a result of past experiences there had been closer cooperation and exchange of ideas between the investors, the operators, and the workers, and the public, because they all have an interest in it. I believe it is true, and without any reflection on the investor, that they have a selfish interest in it, and as long as any industry is controlled and its policies directed solely by the interests that own it, it will be operated for their particular interest. I think that is only natural, while, on the other hand, I have found by experience with our railroad operators and investors that if they have the proper contact and the opportunity to learn the ideas and the views of the workers and others interested in the operation of that industry that it results for the greater good and is in the interest of the general welfare.

It is with that thought in mind that I believe some kind of tribunal should be established by legislative action and under the control of the Government, that would assemble the ideas, or rather accumulate the ideas of all the interests in the industries of the country, and would then keep a check on the industries as they are operated. If it is possible at all to foresee disaster to the industries of the country that ought to be the mirror through which it would be reflected.

Can you stabilize one industry, by itself? I do not think you can. I do not think that stabilization of the steel industry and then absolute disregard for the conditions

in other industries of the country would be in the direction of general stabilization of employment or industry in the country. I believe the whole industrial problem should be dealt with at one and the same time.

I can not conceive of any program that financial interests would agree upon for the cooperation of an industry in which they had their money invested except a program looking to the production of improvements in their own interest. That has been the history of our industries, and is up to the present time. That really forms a large part of the basis of my conclusion that industry should be supervised on a different basis from what it is at the present time.

I think that any tribunal set up to take charge of the industrial situation should have governmental authority to proceed to control and recommend what should be done to accomplish the greatest good for the general welfare.

Such a council, set up through governmental action could accomplish, in my opinion, just the same thing for the Nation that an organization in a single industry accomplishes for that industry. Take, for example, the steel industry; the organizations that control the functions and policies of the steel industry have to take into account all the elements that affect that particular industry, both with regard to supply and demand affecting raw materials and other output. They have to take into account the conditions affecting the various industries with which they are related—in other words, their customers' industries. They must observe these, and run their industry accordingly. I think the Nation should be run as an industrial nation; that there should be a tribunal set up to take into account all of those elements that affect all industries, what is the effect of one industry on another, just the same as the steel industry to-day must take into account what is the condition in the ore industry and other elements that affect them, and treat the whole Nation just as one big industry.

Roughly, there are about 45,000,000 people gainfully employed in the United States. At most, only a few millions have any voice in shaping the industrial policies. The great mass of the people are practically voiceless. Even organized labor can only fight to get its share of industrial operations, over whose policies labor has practically no control. The unorganized farmers who produce the food of the Nation have practically no voice in the marketing of their products and no voice in determining the policies of the manufacturing industries producing the products which are to be exchanged for theirs. The great need in this country is not so much the control of group interests over other group interests but the need is that every group of interests may know the relation of other group interests to its interest and to be able to point out the dangers and injustices of policies of far-reaching effect which are promoted only to advance the selfish interests of one group. Democracy is the present-day need and informed leadership throughout the Nation, and this can not be had when industry, instead of being the field of cooperative endeavor, is essentially the field of war, with hundreds of armies in the field, each masking its attack and seeking to obtain some advantage.

I think that pretty generally states labor's view and my own view, properly with regard to our interest in the stabilization of industry.—*Extracts, see 2, p. 128.*

Donham *Cont'd*

power. I would set up a skeleton scheme which business could use if it had the social sense, and the sense of its own greatest interest, that it should, and I believe would, have under those conditions. I would not give it the slightest iota of authority anywhere along the line. I would make it a thinking organization, so financed that it could build up a real organization and not be constantly hampered, as every educational institution is, to know where it can get a thousand dollars which it requires to do the next piece of research. I believe you would have far better results from two bodies than you would from one.

Now this, in substance, follows a scheme which George Soule presented in the New Republic, and I want to make that clearly understood. The general set-up was Soule's, rather than my own, but I have studied a great many different suggestions and talked with various people in industry and I am convinced that the combination of a small thinking body and a large body that is truly representative of the industries has a far better chance to succeed than any one body, however chosen.

Having conducted research for a long while without any power, I am both impressed and sometimes amazed at the extent to which you can get information on the voluntary basis. I should far rather use the existing facilities of the Government and leave it to such a body, if it found that it was hampered, to ask for an extension of its powers than to start right off with an organization that would be another inquisitorial body, that would ask for a great mass of returns, and build up a bureaucracy to analyze them. I would rather keep that out of such an organization, because in my own belief we have already a tremendous amount of rather uncoordinated fact finding going on, both in private agencies, university agencies, and governmental agencies. The breakdown is in the thinking and interpretation. It would rapidly be developed.

I do not believe in building up another great inquisitorial body. I think it would throw the emphasis almost inevitably away from thinking, and would get together a vast amount of unrelated factual information of no value to anybody, because it is not thought about and interpreted.

In my judgment to give an economic council inquisitorial power would start it off with a serious handicap, which is wholly unnecessary, and that the added power would be of very little use to it. It would not find it necessary at all. I think it is rare that we are unable to get information that we want in our research work without any power at all. I think it is of the greatest significance that such a council, once set up, should have the confidence of the business community, and not start off with a lot of irritation arising out of the fear that it is just going to be another budget of reports that has to be kept going over long periods of time. I think the council would have a far better chance of success if given no such power.

I feel perfectly clear that we are falling down most shockingly in our obligations to the future generation

at the present time on our great national resources by not allowing any effective limitation on production.

I do not think it is of the essence that the Government should provide the mechanism whereby economic planning should be undertaken. I do not think it is an opportunity for the Government, if it does not use the opportunity in ways which seem to me to lessen the chance of success of the instrumentality it is starting, to start something going that might be of the greatest significance. I think it could be started privately by industry, but I think it is more likely to be started at Congressional initiative than it is if left to industry. My own fear is that because Congress is starting it they will miss the point, that it will succeed, if at all, through influence and not through power, and again, it seems to me that the less power it has, the greater influence it is likely to have.

Three types of organization, I think, are ultimately necessary: First, the industrial planning organization within each industry, which hardly is a feasible thing in any effective sense without some modification of the Sherman Act. I feel very clear that such organization is very necessary within the several industries. I feel, however, that any plan which relies wholly on separate industrial approaches is bound to have only partial success, because industries are competing with each other in very striking ways at the present time. A chemical discovery may put an electrical appliance out of business, an electrical appliance may destroy a chemical industry, and an electrical discovery may change the solution of very widespread problems in ways which eliminate a vast amount of complicated machinery. There is not any restricting of competition to one industry. It goes across industries. There is not any working out of problems of unemployment in any industry. They go across industry. There is not any general solution of any major problem possible by separate industries, in my judgment.

On the other hand, the influencing of the policy of a particular industry on an intelligent basis is extremely important. Second, I should like to see a central thinking body. Third, I should like to see this central thinking body backed up by a central representative group chosen by industry, probably through the trade associations. If you skip from the council of 15, as you suggest here, to these trade associations, the gap is too big.

My belief is that the thinking group should be organized partly by election from the representative group, or, I should say, appointment, not election—and partly by some governmental agency, so that you will bring in the governmental factors, but I feel very strongly that control numerically should be in the business groups, because there are so many points of view that need to be taken into consideration. I think the governmental point of view can be covered in such a thinking body just as well by one person as by the majority of the group. It is the points of view that we want presented as a basis for thinking and what is to be avoided is enlarging the group to the point where it cannot do direct thinking. My belief is that five is about as large as it should be for that purpose, seven the extreme limit. I should prefer five, but that concept of size shows how important in my mind is the larger representative of industry, which really represents many angles and goes back to those groups, in the sense of going to the people it represents.—*Extracts, see 2, p. 128.*



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## Sponsors of Plans Presented to Date on Economic Planning for America

- American Engineering Council, New York City.  
 American Federation of Labor, Washington, D. C.  
 Associated General Contractors, Washington, D. C.  
 Charles A. Beard, New Milford, Conn.  
 Ralph Borsodi, author and economist, New York City.  
 Chamber of Commerce of the United States, Washington, D. C.  
 Stuart Chase, author and economist, Labor Bureau, N. Y. C.  
 Wallace B. Donham, Dean, Harvard School of Business.  
 Fraternal Order of Eagles (Ludlow bill).  
 Jay Franklin, author (The Forum).  
 Guy Greer, economist, (Outlook).  
 Otto Kahn, banker, New York City.  
 Senator Robert M. La Follette, U. S. Senate.  
 Lewis L. Lorwin, economist, Brookings Institute, Wash., D. C.  
 Paul M. Mazur, investment banker, New York City.  
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 New England Council, Boston, Mass.  
 Progressive Conference (La Follette bill).  
 P. Redmond, economist, Schenectady, N. Y.  
 Sumner Slichter, economist and author, Madison, Wis.  
 George Soule, editor, New Republic.  
 C. R. Stevenson, of Stevenson, Jordan and Harrison, N. Y. C.  
 Gerard Swope, president, General Electric Co.  
 Wisconsin Regional Plan, State Legislature, Madison, Wis.  
 National Civic Federation, New York City.

List Compiled by U. S. Dept. of Commerce

# The 72nd Congress « « Now in Session

*Duration—March 4, 1931-March 4, 1933. First Session Convened Dec. 7, 1931, Recessed from Dec. 22, 1931 to Jan. 4, 1932.*

## *In the Senate*

**Membership**  
**Total—96**

48 Republicans

1 Farmer-Labor

47 Democrats

### **Presiding Officer**

**President:** Charles Curtis, R.  
**Vice-President** of the United States

### **Floor Leaders**

**Majority Leader**

James E. Watson, Ind., R.

**Minority Leader**

Joseph T. Robinson, Ark., D.

## *In the House*

**Membership**  
**Total—435**

213 Republicans

1 Farmer-Labor  
3 Vacancies

218 Democrats

### **Presiding Officer**

**Speaker:** John N. Garner, D.  
Member of the House from Texas

### **Floor Leaders**

**Majority Leader**

Henry T. Rainey, Ill., D.

**Minority Leader**

Bertrand H. Snell, N. Y., R.

## The Month in Congress—

### Legislative Action

#### *Political Developments*

WHEN it became certain during the days of November, 1931, that the Democrats would organize the House of Representatives in the present Congress and that the Republican majority in the Senate would be barely sufficient to organize, without actual control, political prophets were almost unanimous in their prediction that the session would be more or less chaotic, with much wild legislation proposed and a good deal of it passed. But before Congress had been in session a month most of the political prophets began to revise their predictions.

The Democratic leaders in the House, taking stock, found themselves able to elect a Speaker and other officers and to take control of the committees. Their margin of control was so narrow, however, that even if they passed special legislation of their own, with the aid of irregular Republicans, and that legislation were vetoed by the President, they could not hope to summon a two-thirds majority of both houses to pass it over the veto.

They concluded, therefore, to agree to a sort of coalition with the Administration on those measures initiated by the Administration designed to aid economic recovery, since the Administration program presented was, in its essentials, not far different from the program the Democratic leaders themselves would have advocated had a Democratic President been in the White House.

The irregular Republicans and a few of the less conservative Democrats in both Houses voiced their disapproval of these measures, but an overwhelming majority of both parties supported them and they were passed without any great trouble.

The first independent move on the part of the Democrats in the House was the framing and passage of a tariff bill, designed, not to change existing tariff rates, but to pave the way for future alterations by changing the present methods of administering the tariff, principally by taking away the powers of the President under the flexible provisions of the law.

It was at this period of the session's progress that the political sages became frank in confessing that they had underestimated the powers of the Democratic leaders to hold their forces in line and make their scant majority effective. Speaker John N. Garner came in for such unstinted praise that his friends immediately declared him the outstanding candidate for the Democratic nomination for the Presidency. The prophets were declaring that the Democrats had surprised everybody by their capacity to function in such an orderly fashion under the circumstances.

Then came the tax bill.

Those experienced in National politics know that the most diabolical problems for a political party to deal with are a tariff bill and a tax bill, particularly a tax bill. In this instance the Democrats were in a dilemma. They were compelled to choose one of two courses. They could say that since the deficit in the Treasury had been incurred while the Republicans were in complete control of the Government, it was the duty of the Republicans to devise a method of taxation to raise the money necessary to balance the budget, reserving the right to force amendments to the Republican plan if it did not suit them.

This course was discarded as a negative policy and because it would have given the Republicans a chance to say that, being in power in the House, the Democrats had dodged their responsibilities.

The other course open to them was to assume the responsibility of their position and initiate a positive tax policy of their own. This they decided to do. Hearings were held by the Ways and Means Committee over a period of several weeks and the Democratic members of the committee finally decided to make a tax on manufactured products the major feature of their bill.

Within the inner circle of the Democratic leaders a sharp division of opinion on the manufacturers', or sales tax, existed. But it was finally agreed to.

No sooner was the bill reported than vigorous opposition appeared. Part of this was from those inherently opposed to the sales tax theory; part of it was due to the pressure brought by manufacturers on Representatives from manufacturing districts and part of it—the most vociferous part—came from the irregular western Republicans and from the extremists among the Democrats who always insist that the full burden of taxation should at all times be borne by the wealthy.

The net result was that when the sales tax provision of the bill was put to a vote in the House, March 24, it was rejected by a vote of 223 to 153. Thus the Democratic organization of the House was emphatically repudiated on the first major piece of legislation it presented. Had the Democratic leaders been able to hold 90 per cent of their forces in line they could have put through their program with the help of Republican votes, but the defection in their own ranks was so great it left them without even a nucleus.

From the standpoint of National politics, comment in Washington immediately following the House vote on the sales tax was to the effect that the original pre-session predictions as to chaotic conditions in Congress were likely to be borne out during the remainder of the session. It is pointed out that the House, which up to the sales tax vote, had functioned in an orderly fashion because of the solidarity of the Democratic majority, has now fallen into the condition of the Senate, where persistent defections on the part of western Republican Senators have rendered the scant Republican majority ineffective.

A coalition of irregular Republicans and irregular Democrats in both Houses is apparently ready to operate to force so-called radical legislation.

The next test is expected to be on the proposed two-billion dollar cash soldier-bonus bill. As soon as the tax bill is finally disposed of advocates of the cash bonus bill will attempt to force it out of the Ways and Means Committee by petition. They already claim that they have the pledges of the necessary 145 Members to sign the petition.

It is felt that if this bill is reported it will, in the present disorganized condition of both Houses, be almost sure to pass, in spite of the fact that the Administration and the American Legion are both on record against it. It is also being predicted that if it is passed, the President will veto it. Whether it can be passed over the Presidential veto is a question the political prophets are not venturing to answer at this time.

All in all, there appears to be a decided radical trend within the Democratic party at this time. The Democratic leaders in both the Senate and the House are conservative, but they, like the conservative Republican leaders of the Senate, cannot count on the full support of the rank and file of their party.

In the meantime, the general work of Congress has been proceeding. Six of the eleven annual appropriation bills have been reported by the House Committee on Appropriations on schedule time. Five of these have been passed by the House. Four have been reported to the Senate by the Senate Committee on Appropriations. Two have been passed by the Senate and one of these, the First Deficiency bill, has been signed by the President, the other one, the Department of Agriculture appropriation bill, being held up in conference. The hold-up is due to the fight over pay cuts for Federal employees, which is still hanging in the balance.

On February 22, both Houses dropped all other business and, in joint session, paid tribute to George Washington. President Hoover delivered the principal address from the Speaker's desk in the Hall of the House of Representatives, after which exercises were held on the East front of the Capitol. Politics were laid aside for the occasion.

### *Agriculture*

ON March 17 the Senate Committee on Audit and Control reported S. Res. 42 by Senator Norris, Nebr., R., for a Senate investigation of the Federal Farm Board and Grain and Cotton Exchanges, with an amendment reducing the appropriation requested from \$50,000 to \$25,000. The resolution is on the Senate Calendar awaiting action.

Hearings have been held by the Senate Committee on Agriculture and Forestry and the House Committee on Agriculture on pending bills for farm debentures and the equalization fee. All the leading farmers' organizations are united on demands for debentures and equalization fee, their general aim being to have legislation passed that will guarantee the farmer the cost of production. No new appropriations for this specific purpose are being asked for by the agricultural interests, who expect to have any governmental expenses arising out of their plans paid out of the revolving fund of the Federal Farm Board.

Action on this proposed legislation will therefore be held off until the Norris resolution is disposed of. Should it pass and an investigation of the Farm Board be undertaken, the fate of new agricultural legislation will be dependent upon the outcome of that investigation.

### *Anti-Injunctions in Labor Disputes*

THE Norris-LaGuardia bill to curb the use of injunctions in labor disputes was passed by the Senate on March 1 by a vote of 75 to 5 and by the House on March 8 by a vote of 363 to 13. It was sent to conference on March 9 and reported from conference on March 18.

The bill declares the right of labor to organize and to bargain collectively. It makes unlawful so-called "yellow dog" contracts which prohibit employees from joining unions and, except where overt acts as set forth in the bill are committed, forbids issuance of injunctions without a full hearing and finding of fact, and grants to persons charged with contempt of court for violating an injunction, the right to trial by jury under another judge.



## Banking

THE following progress has been made on the Administration's program for financial legislation:

Moratorium—(H. J. Res. 147) approved December 23, 1931.

Reconstruction Finance Corporation—(H. R. 7360), approved Jan. 22, 1932.

Federal Land Bank Loans—(H. R. 6172) approved January 23.

Federal Reserve System Extension—(H. R. 2093), approved February 27.

On January 21 Senator Carter Glass, Va., D., introduced a bill for the general revision of the banking laws including provisions for broadening the base of the Federal Reserve loan system. These features, however, were taken out of the Glass general revision bill and incorporated in the Steagall-Glass bill, H. R. 9203, which was passed by both Houses and approved February 27.

Senator Glass withdrew his original general revision bill for further consideration by a subcommittee of the Senate Committee on Banking and Currency of which subcommittee Mr. Glass is chairman. It was agreed upon and reintroduced in revised form by Senator Glass on March 17.

This bill, S. 4115, which, if enacted, will be known as "The Banking Act of 1932" provides for restriction in the use of Federal Reserve assets to prevent diversion of funds for speculative purposes; sets up a system of branch banking by national banks; provides for prompt payment of depositors in closed banks; raises to \$100,000 the amount of capital a bank must have to obtain a National Charter, and empowers the Comptroller of the Currency, the governor of the Federal Reserve Board and the district Federal Reserve Agent interested, to act as a Board to revoke the charter of a bank whose officials are guilty of illicit and irregular actions in the conduct of the bank's affairs.

The bill contains other technical changes in existing banking laws, when the bill is reported to full committee on Banking and Currency it will be given prompt consideration by the Senate. As some of its provisions are highly controversial a full debate is expected.

Hearings will begin shortly before the House Committee on Banking and Currency on home-loan bills and on the Steagall bill to guarantee bank deposits. A subcommittee of that committee is studying stable money bills, also.

## Bankruptcy

FOLLOWING a thorough investigation by the Department of Justice, the President, on February 29, sent to Congress a special message recommending sweeping changes in the bankruptcy laws designed to correct abuses which have grown up under the existing system. The Department of Justice has drawn up a model bill to correct these abuses and the question is now before the Senate and House Committees on the Judiciary. Subcommittees are studying the Department of Justice suggestions and after they report, either the House or Senate committee or both will hold hearings.

## "Blue Sky" Laws

THE Senate and House Committees on the District of Columbia have before them bills to regulate the sale of real estate and other securities in the District of Columbia. These measures, designed to become models for state legislatures, by compelling brokers and investment houses to guarantee payment of principal and interest and to present a statement under oath of the owner of the property as to its valuation before being allowed the use of the mails for the offering of securities. The Senate Committee has been conducting an investigation into the handling of real estate and other investment securities in the District. Neither committee has taken action.

## Immigration

ON March 17 the House Committee on Immigration and Naturalization voted to report H. J. Res. 277, introduced by Representative Samuel Dickstein, N. Y., D., chairman of the committee, to reduce immigration permanently to 10 per cent of the present quotas and apply a like quota to the countries of the western hemisphere, including Canada and Mexico.

On the same date the committee reported H. R. 8870 to place foreign actors and actresses under the contract labor provisions of the immigration laws, unless the artists are of "distinguished merit and ability," and to substitute and report a similar bill to S. 2656, passed by the Senate January 22, to permit alien husbands of American women to enter the United States outside the quota limit.

## Kidnapping Legislation

ON March 7, the Senate Committee on the Judiciary after careful deliberation withheld action on the Patterson bill, S. 1525, to make kidnapping across State lines a Federal crime punishable by death, in deference to the Lindbergh case, lest enactment of the bill frighten the abductors and jeopardize the safe return of the baby.

Senator Norris, chairman of the committee, pointed out that as the law would not be retroactive, "it could not help in the present case if we passed it now."

At the same time he made it plain that the committee emphatically favors legislation to make inter-State kidnapping a Federal offense and undoubtedly will act in that direction when the Lindbergh case has been cleared up. He opposes making it a capital offense since the punishment then would be not greater if the abducted person were slain.

Chairman Sumners of the House Judiciary Committee on March 7 introduced a bill, H. R. 10243, incorporating his plan for State-compact control of kidnapping and other criminals who evade prosecution by escaping across State boundaries.

Sumners said his bill "would give consent of Congress for any two or more States to enter into agreements or compacts for cooperative effort and mutual assistance in the prevention and punishment of crime and to establish whatever joint agencies may seem desirable to them to make effective such agreements and compacts."

### **"Lame Duck" Amendment**

**A**FTER a nine-year battle in Congress, the Norris constitutional amendment, abolishing the so-called "lame duck" session of Congress, and changing the beginning of the President's term of office, etc., has received the approval of Congress. On March 2 the House adopted the conference report on the measure, S. J. Res. 114, which was approved by the Senate the following day.

This is the first constitutional amendment adopted by Congress since the child labor proposal eight years ago. Like that proposal, which failed of ratification, this proposal must be ratified by 36 States within seven years to become valid.

Outstanding among the measure's provisions is elimination of the "short session" of Congress extending from the first Monday in December until March 4, and the establishment of sessions of indeterminate length to begin each January 3.

Under the amendment members would take up their duties on January 3, two months after their election, instead of waiting thirteen months until the following December.

Terms of the President and Vice-President would begin on January 20 instead of March 4.

### **Law Enforcement**

**P**ENDING in Congress are various measures to revise the Federal judicial procedure in the interests of more prompt and efficient law enforcement. The President sent a special message to Congress on this subject on February 29. Most of the proposed changes are of a technical nature and are being considered by the Senate and House Committees on the Judiciary.

A bill carrying out one of President Hoover's most recent recommendations to Congress, to permit waiver of indictment in criminal cases, was passed on March 2 by the Senate.

The bill, S. 2655, introduced by Senator Bratton (Democrat), New Mexico, was the first of President Hoover's recommendations for revision of criminal procedure to pass either House.

The bill was referred in the House to the Judiciary Committee, where it is awaiting action.

### **Maternity and Infancy Legislation**

**O**N March 15 the Senate Committee on Commerce filed with the Senate the favorable majority report to accompany the Jones "Maternity and Infancy" bill, S. 572 (H. R. 5725), describing it as particularly urgent in view of the "effect of the depression."

The measure as reported would make its benefits apply to urban as well as rural localities. It calls for appropriation of \$500,000 for the fiscal year ending June 30, 1933, and \$1,000,000 for each year thereafter, to be distributed among the States with the requirement that they match the funds and use them to cooperate with the Children's Bureau of the Labor Department in maternal and infancy health activities.

Seven members of the committee, at the same time, filed a minority report opposing the bill on the ground that a similar measure—the Sheppard-Towner act passed

several years ago—has been of questionable benefit; that it would be an encroachment on State rights, and that it is an unwise and unnecessary expense.

### **Motor Buses**

**H**EARINGS are in progress before the Senate Committee on Interstate Commerce on S. 2793, introduced by Senator Couzens, Mich., R., for the regulation of motor buses on interstate highways.

It is not expected that this measure will be reported in the near future.

### **Muscle Shoals**

**O**N March 9, the Senate Committee on Agriculture, by unanimous vote, favorably reported to the Senate the Norris Muscle Shoals resolution, S. J. Res. 15, identical to the one which President Hoover vetoed at the last session of Congress.

The measure provides for Government operation of the \$150,000,000 power and nitrate plants at Muscle Shoals, on the Tennessee River, unless President Hoover is able to negotiate a lease for the nitrate plants within a year.

It also provides for Government manufacture of power at Muscle Shoals and construction by the Government of transmission lines for its distribution with preference to States, counties and municipalities.

The committee, in reporting the bill, put aside a measure introduced by Senator Kean (Republican), New Jersey, to carry out the recommendations of the commission appointed by President Hoover and the Governors of Tennessee and Alabama for operation of the Shoals by a farmer-controlled organization.

On March 11 a new Muscle Shoals bill, differing from the Norris plan pending in the Senate, but containing a Government-operation alternate to private operation, was completed by a subcommittee of the House Military Affairs Committee. This bill must be approved by the committee proper before it reaches the House.

### **Navy Strength**

**A** U. S. NAVY as strong as existing treaty limits will permit was recommended to the Senate on February 23 by the Naval Affairs Committee. The committee's report, submitted by Chairman Hale said:

"It is believed that enactment of the bill (S. 51) into law will have a stabilizing effect on world affairs; it will signify that the United States intends to build up its Navy if other nations build up theirs; it will put us in a better bargaining position in negotiations seeking further disarmament and our influence to bring about further disarmament rather than being lessened by lack of a building program will be enhanced."

The report said testimony before the committee showed the Navy "will in the near future be entirely inadequate properly to protect our country, our foreign trade, our foreign possessions, and our citizens at home and abroad."

Japan, the committee said, has approved and appropriated for a building program which by 1936, will bring its navy up to a full treaty strength except for one aircraft carrier and six destroyers.

The measure is a simple authorization and provides no appropriations. Senator Hale estimated it would cost

\$980,000,000 to bring the Navy up to the treaty strength in ten years.

A similar bill (H. R. 6661) is pending before the House Naval Committee, introduced by Chairman Vinson. The committee approved it, but voted not to seek enactment at present because of the depleted condition of the Treasury.

Mr. Vinson said recently, however, that if the crisis in the Orient did not abate, he would ask the committee to place the measure before the House.

#### **Pay Cuts**

**V**ARIOUS moves and counter moves have been made in both houses of Congress since the present session began to reduce the pay of Federal employees in the interests of National economy. Several of the measures introduced provide for reduction in the present pay scale. Others provide that no pay increases shall be allowed under the appropriations for the executive departments for the next fiscal year. The latter provision was inserted in all appropriation bills so far reported by the House Committee on Appropriations. All bills for pay cuts have so far been successfully opposed by those members of the House and Senate who do not approve of this method of economy.

#### **Pension for Mrs. William Howard Taft**

**O**N March 2, the Senate passed a bill, S. 1230, introduced by Senator Bingham, Conn., R., voting a pension of \$5,000 to Mrs. Helen H. Taft, widow of the late Chief Justice and former President.

A similar bill, H. R. 5385, is waiting its turn on the House Calendar. This action on the part of Congress is a courtesy procedure, a precedent followed since the widow of President James R. Polk was first voted a like sum.

#### **Philippine Independence**

**O**N March 1 the Senate Committee on Territories and Insular Affairs reported S. 3377, the Hawes-Cutting bill, providing for freedom for the Philippines in 15 years. On March 4 the House Committee on Insular Affairs voted to report H. R. 7233, introduced by Representative Hare, S. C., D., to grant independence to the Philippines in 5 years.

The House committee later reconsidered its action and on March 14 increased the time limit to from 7 to 9 years, and reported the bill to the House.

The two bills, which differ in several essential features are on the calendars of their respective houses awaiting action.

#### **Presidential Messages**

**D**URING the past month the President has sent a number of important recommendations to Congress, a list of which will be found below. Copies of them in full may be obtained at the Government Printing Office at Washington.

February 18—A message urging reorganization of the Federal departments to eliminate waste and extravagance. This is the fourth message on this subject sent by President Hoover to Congress since he entered the White House.

February 22—Special address to a joint session of the Senate and House of Representatives in commemoration of the 200th anniversary of the birth of George Washington, formally opening the George Washington Bicentennial Celebration.

February 28—Press statement on signing the Glass-Steagall bill to expand the provisions of the Federal Reserve Law declaring the bill would be effective in freeing vast amounts of gold in the Federal Reserve system, thus enabling Federal Reserve banks to meet demands on them either at home or abroad.

February 29—A message recommending the enactment into legislation of proposed reforms in Federal Court procedure relating particularly to criminal and bankruptcy proceedings with a thorough revision of the bankruptcy laws.

#### **Prohibition**

**T**HE second record vote of the session on the direct question of prohibition was taken on March 14 when the House voted on the resolution authored jointly by Representatives J. C. Linthicum, Md., D., and James M. Beck, Pa., R., proposing an amendment to the Eighteenth Amendment to the Constitution, which, in effect would give each State control of the sale of liquor within its borders. On February 16 the House Committee on the Judiciary, to which the resolution had been referred, rejected a motion to report it by a vote of 14 to 9.

Following this action, Representative Linthicum began circulating a petition, under the new House rules, to discharge the committee from consideration of the bill. One-third of the Membership of the House must sign such a petition. Mr. Linthicum obtained 145 signers, the requisite one-third, and on March 14 presented his petition to the House and called for a vote. The question voted on was whether the House should take up for consideration the Linthicum-Beck resolution which the committee had refused to report. On the roll call 187 voted to consider the resolution and 227 voted against its consideration, showing a majority of 40 votes. There are two vacancies in the House, but assuming the full membership of 435 present, this means that the "wets" must gain 31 more members in order to muster a majority of the House, which is 218.

A majority would enable them to force consideration of a resolution to amend the Constitution, but in order to pass it they must increase their present strength of 187 votes by 103 additional votes to reach the necessary two-thirds strength of 290.

The first prohibition test came in the Senate on January 21 when the Senate by a vote of 55 to 15 defeated a resolution offered by Senator Hiram Bingham, Conn., R., asking governors to hold referenda in their respective States to determine prohibition and anti-prohibition sentiment, while the "wets" maintain that this vote was not a fair test of "wet" and "dry" sentiment in the Senate, an estimate based on the vote show that to obtain consideration of a Constitutional amendment in the Senate the "wets" need 34 more votes for the necessary majority of 49, and 49 more votes for the 64, or two-thirds vote necessary for passage of such a resolution.

On the vote on the Linthicum-Beck resolution in the House 97 Republicans voted for and 112 voted against, while 90 Democrats voted for and 114 voted against.



The one Farmer-Labor member voted for the resolution. Thus the "drys" had a majority of 15 within the Republican ranks and a majority of 24 within the Democratic ranks.

On the Senate vote, 8 Republicans voted for the Bingham resolution and 26 voted against it. While 7 Democrats voted for it and 28 voted against it. The one Farmer-Labor Senator voted against it.

All efforts on the part of the "wets" to modify provisions of the prohibition laws have been defeated, including a move to forbid the expenditure of any part of enforcement appropriations for wire tapping and efforts to reduce general enforcement appropriations below the amount requested in the budget estimates.

On March 11 the Senate passed S. 2883, by Senator Johnson, Calif., R., for Federal control over small craft carrying passengers to vessels and barges anchored for gambling and liquor-selling purposes outside the 12-mile limit. The bill was referred in the House to the Committee on Merchant Marine, Radio and Fishing.

#### *Reorganization of Executive Departments*

DEFINITE action by Congress on the various pending proposals for reorganization of the executive departments of the Government is not expected until April 15 at the earliest, since that is the date set for a report to the House by a special committee appointed to study the problem.

On December 8, 1931, President Hoover sent a special message to Congress urging legislation for reorganization on the ground of economy and efficiency, the reorganization to involve eliminations and consolidations of various branches of the departments to avoid existing overlapping and duplication of work. On February 17 he sent a second message urging prompt action.

Bills were introduced in both the House and Senate giving the President authority to effect reorganization by executive order. This plan was opposed by the Democratic leaders in the House, and a resolution by Representative Lewis W. Douglas, Ariz., D. (S. Res. 151) was adopted providing for a special committee of seven members of the House to study reorganization plans and report to the House on or before April 15. The speaker appointed as chairman of the special committee Representative Joseph W. Byrns, Tenn., D., Chairman of the Committee on Appropriations, John C. Cochran, Mo., D., chairman of the Committee on Expenditures in the Executive Departments, Lewis W. Douglas, Ariz., D., John McDuffie, Ala., D., C. William Ramseyer, Ia., R., Will Wood, Ill., R., and William Williamson, S. D., R.

The Senate Committee on Finance on February 2 reported S. F. Res. 76, by Senator W. F. George, Ga., D., giving the President discretionary power to reorganize, but the Senate has not acted on it.

A bill to consolidate the army and navy, by Representative J. W. Byrns, Tenn., D., is under consideration by a subcommittee of the House Committee on Expenditures in the Executive Departments, but even if it is favorably reported its passage is not expected.

#### *Roads*

ON February 28 the House passed H. R. 9642, by Rep. Almon, Ala., D., appropriating \$132,500,000 for road construction. This bill is designed

to replace in part the LaFollette-Costigan \$750,000,000 bill for direct aid to the unemployment which was rejected by the Senate. The Almon bill was reported by the Senate Committee on Roads on February 18 and is now on the Senate Calendar. The Senate Committee raised the total appropriation to \$135,000,000.

#### *Senate Election Contest*

AFTER a year's investigation of the Bankhead-Heflin election contest, the Senate Elections subcommittee recommended that the seat of Senator John H. Bankhead, Ala., D., be vacated, due to widespread violation of election laws, including an illegal primary, making his election fraudulent.

Adoption of the committee's report by the Senate would not seat Heflin, but would leave the seat vacant to be filled by appointment.

The subcommittee's report must be acted upon by the full committee before reaching the Senate floor, but it assures a bitter interparty conflict there.

#### *Silver*

THE House Committee on Coinage, Weights and Measures is holding hearings on H. Res. 72, introduced by Representative Andrew L. Somers, N. Y., D., to investigate the present decrease in the price of silver. The committee is going into all phases of the silver problem, including the suggestion for the calling of an international conference to fix the price of silver. No date has been set for the conclusion of the hearings.

#### *Soldier Bonus*

As the DIGEST goes to press the question of whether a bill for more cash bonus for veterans of the world war will be considered by Congress at this session hangs in the balance. As soon as the tax bill has been disposed of in the House efforts will be made to have the Committee on Ways and Means hold hearings on a number of the bonus bills now before it.

The Administration and the American Legion are both on record as opposing a soldier bonus bill at this session on the ground that to pass one would lead to more taxation. In spite of this, however, a number of House Members in whose districts are large numbers of ex-soldiers have announced their intention of forcing a vote on a bonus bill.

They declare that in the event the Ways and Means Committee declines to report a bill, they will circulate a petition to have the bill brought to the floor without the consent of the committee. To do this they must obtain 145 signatures to their petition.

#### *Stock Market Speculation*

ON March 4 the Senate adopted S. Res. 84 for an investigation by the Senate Committee on Banking and Currency into the operations of the New York Stock Exchange with respect to the buying and selling of securities. The resolution was drafted by Senators Walcott, Conn., R., Steiwer, Oreg., R., and Bulkley, O., D., a subcommittee of the Committee on Banking and Currency. An appropriation of \$50,000 was voted to defray the cost of the investigation which will

be conducted by the full committee on Banking and Currency. Plans of the committee have not been announced.

### **Tariff**

THE tariff bill, passed by the House on January 9 and adversely reported by the Senate Committee on Finance on January 28 is on the Senate calendar awaiting action. It is expected that this measure will receive consideration by the Senate early in April.

On March 2, Senator David A. Reed, Pa., R., made an effort to have the Senate consider, out of order, his resolution, S. Res. 156, to investigate the effect of depreciated foreign currency values upon the importation of important commodities to the United States, but his motion was defeated and the resolution went over until the tariff bill is taken up.

### **Taxes**

AFTER several weeks of hearings the House Committee on Ways and Means on March 8 reported the Revenue Revision bill of 1932. This measure is designed to balance the Federal budget by June 30, 1933, and to leave a surplus in the Treasury of \$5,000,000. It is estimated that the Treasury deficit will amount to \$1,241,000,000 unless additional taxes are imposed. The bill as written by the Democratic majority of the Ways and Means Committee had as its principal feature a tax of 2.25 per cent on the sale of manufactured articles, by which it was estimated that \$599,000,000 could be raised.

Debate on the bill began in the House on March 10 and as the DIGEST goes to press a sharp controversy is raging over the provisions of the bill and it is impossible to predict the extent to which the bill will be amended on the floor.

### **War Profits**

RECOMMENDATIONS of the War Policies Commission for taking the profit out of war were submitted to Congress by President Hoover on March 7, and immediately ran into a storm of opposition.

The commission recommended that in case of a future war all prices should be immediately "frozen" at the outset of hostilities and as a further check of profiteering that a 95 per cent tax on excess profits be levied.

A constitutional amendment to make the price-freezing plan legal was recommended and a resolution, S. J. Res. 115, proposing such an amendment, was immediately introduced in the Senate on behalf of the four Senate members of the commission—Senators Reed, of Pennsylvania, and Vandenberg, of Michigan, Republicans, and Senators Robinson, of Arkansas, and Swanson, of Virginia, Democrats. The measure was referred to the Senate Committee on the Judiciary.

The Senators also introduced a resolution asking Secretary Mills to advise on the best method to apply the proposed 95 per cent tax.

### **Wheat Donations**

ON March 4, Congress completed action on the measure, S. J. Res. 110, to give forty million bushels of wheat, now in the custody of the Federal Farm Board, to the Red Cross for distribution among the nation's needy. Five of the forty million bushels will feed livestock in the Northwest drought areas.

The wheat is to be ground into flour and distributed by local relief organizations. The Red Cross, it was stated in a letter from the chairman of that organization to Congress, would attempt to get as much as possible of the work, incident to milling and transportation, done free but would use the wheat itself to pay for the remainder of the costs. The wheat will be released as demanded upon the approval of President Hoover. It remains available until May 1, 1933.

### **World Court**

ON March 2, the Senate Committee on Foreign Relations unanimously approved a resolution offered by Senator Reed, Pa., R.; a member of the committee, providing that the United States adhere to the court "with the clear understanding that the Permanent Court of International Justice shall not, without the consent of the United States, entertain any request for an advisory opinion touching any dispute or question in which the United States has or claims an interest."

A similar reservation by the Senate in voting adherence to the court in 1926 was never accepted by the other powers. As a result the revised protocol sponsored by a committee of jurists headed by Elihu Root was drafted with a view to surmounting this difficulty.

Senator Walsh (Democrat), of Montana, leader of the court forces, argued that the Reed resolution reaffirming the Senate's stand against advisory opinions was "merely interpretative" and did not require approval by the other powers.

Senator Robinson, of Arkansas, the Democratic leader and a friend of the court, however, challenged this contention and expressed the opinion that the Reed modification was in conflict with the Root formula and required formal approval of the other nations.

The World Court foes, led by Chairman Borah (Republican) of the committee, took the same ground, namely, that if the Reed modification was not accepted by the other powers it was not binding.

Senator Watson, of Indiana, the Republican leader, and an opponent of the court, said: "It is a reservation and they can never get it ratified by the other signatory powers—and if it is not a reservation, then they can never get it ratified by the Senate."

All in all, the fresh confusion surrounding the court issue foreshadowed a long and stubborn contest once it gets before the Senate.

# How Uncle Sam's Laws Are Made

Series by Norborne T. N. Robinson

**T**HE following article is the third of a series of consecutive articles in which all phases of House and Senate procedure will be described. The articles are being prepared with the aid of the leading parliamentary authorities at the Capital, including members of both the Senate and the House and officers of those two bodies.

**I**N the second article of this series, printed last month, we promised to describe the differences between bills and resolutions. It may be well, therefore, to pause at this time and consider the definitions of these instruments of legislation.

As the result of nearly 150 years of practical experience Congress has developed a well-defined method of doing business. As part of this method, among the earliest rules evolved were those designating the definite form of proposals for legislation.

These proposals are made either by bills or by resolutions. Bills are divided into two classes—public bills and private bills. Resolutions are divided into three classes—simple resolutions, concurrent resolutions and joint resolutions. They are described below.

## Bills

A legislative measure of the superior class is designated "bill," as distinguished from a "resolution." When a bill is finally enacted, it is then called "An act." This also is true officially of a bill that has passed but one of the two Houses of Congress; but the term "bill" usually follows a measure throughout its legislative processes to final approval by the President, when it becomes "An act" and is so designated in the compiled statutes. A House of Representatives bill is designated thus—H. R. 1, etc. A Senate bill, S. 1, etc.

**A Public Bill**—A Public bill is a bill relating to public matters and deals with individuals only by classes. Bills relating to the revenue, to the tariff, to appropriations, to public lands, to the courts, etc., are classed as public bills.

**A Private Bill**—A private bill is a bill for the relief of one or several specified persons, corporations, institutions, etc. It has been the practice in Congress to consider as private such as are "for the interest of individuals, public companies or corporations, a parish, city, county, or other locality."

**Amendment to a Bill**—A bill is amended when it is changed in any particular, either in committee or while the bill is under discussion on the floor of either House. Committees may recommend amendments, but the House must agree to them before they become a part of the bill.

A bill is "*passed*" when either House finally votes to pass it. When passed by one House it is sent to the other.

A bill is "*enacted into law*" when it shall have been approved by the President or allowed to become a law without his approval, not having been returned with his veto to the House in which it originated within ten days.

## Resolutions

**A Simple Resolution**—A simple resolution serves the purpose of one House or the other in matters of interest to the House in which it is employed. A House Resolution is designated H. Res. 1, etc. A Senate Resolution is designated S. Res. 1, etc. Thus the House or the Senate may pass a simple resolution regarding its own rules. This resolution would not require action by the other House.

**A Joint Resolution**—A joint resolution is a development of modern practice which does not differ in any respect from a bill so far as the processes of Congress in its consideration are concerned. It must pass through the same travail to which a bill is subjected, except in the case of a joint resolution proposing to amend the Constitution, which does not require the approval of the President, but which does require a two-thirds vote of both Houses for passage. A House Joint Resolution is designated H. J. Res. 1, etc., and a Senate Joint Resolution is designated S. J. Res. 1, etc.

**A Concurrent Resolution**—A concurrent resolution is one which must be passed by both Houses, or in other words, a resolution in which both Houses must "concur," hence its name. An example of a concurrent resolution is a resolution for a joint Congressional inquiry in which Members of both Houses will participate. A Senate concurrent resolution (originating in the Senate) is now pending which provides for the appointment of a joint committee of the Senate and the House to investigate the railroad situation. A House Concurrent Resolution is designated H. Con. Res. 1, etc., and a Senate Concurrent Resolution, S. Con. Res. 1, etc.

## Measures

Both a bill and a resolution may be referred to as a "measure."

A "Party Measure" is one put forward by party leaders as a measure to which the party is committed. The bill changing tariff administration methods recently passed by the House was a Democratic Party Measure. The last tariff revision measure, the Smoot-Hawley Tariff Bill of 1930, was a Republican Party Measure.

An "Administration measure" is one drawn to put into effect the policies of the President or one which has the President's definite approval.



# Students' Question Box

## A Special Service for Subscribers

To care for the many questions coming to the *DIGEST* office from subscribers, "The Students Question Box" is herewith included as a regular monthly department. As many questions will be answered each month as space permits, on Congress and the Federal Government.

**Q.** Is the signature of the President of the United States required on a resolution passed by Congress submitting a constitutional amendment to the States for ratification? R. C.

**A.** No. The President has neither the power to approve nor veto such a resolution. The only part played by the Executive branch of the Government is in the transmission to the States of copies of the resolution as passed by Congress. This is done by the U. S. Department of State.

The United States Constitution contains the following provision for amending the Constitution:

*Article V*—The Congress, whenever two-thirds of both Houses shall deem it necessary, shall propose Amendments to this Constitution, or, on the Application of the Legislatures of two-thirds of the several States, shall call a Convention for proposing Amendments, which, in either case, shall be valid to all Intents and Purposes, as part of this Constitution, when ratified by the Legislatures of three-fourths of the several States, or by Conventions in three-fourths thereof, as the one or the other Mode of Ratification may be proposed by the Congress; Provided that no Amendment which may be made prior to the Year One Thousand eight hundred and eight shall in any Manner affect the first and fourth Clauses in the Ninth Section of the first Article; and that no State, without its Consent, shall be deprived of its equal Suffrage in the Senate.

**Q.** Are the respective chambers of the Senate and the House of Representatives of the United States located in the same building? B. G.

**A.** Yes. The "Capitol" is the official building of the Congress of the United States which is composed of the Senate with 96 members and the House of Representatives with 435 members. The chamber of the Senate body where the sessions are held is located in the north wing of the Capitol and the House chamber in the south wing. They are connected by the main body of the building over which rises the great Capitol dome. The Supreme Court of the United States also has its chambers in the Capitol, but will remove to a building of its own, now in the process of erection, located almost directly across the Capitol plaza, a distance of about three city blocks.

**Q.** What are the facts in connection with the date of George Washington's birth? G. M.

**A.** The date of George Washington's birth was actually February 11 of the old style calendar which was in force in England and all her possessions in 1732, the

year of Washington's birth. In 1752 the Calendar New Style Act of the British Parliament went into effect, resulting in the adoption of the Gregorian Calendar by Great Britain and all her colonies, including the American colonies. Prior to that, March 25 was the beginning of the New Year in England. When the change went into effect it involved a jump of 11 days, hence the change in George Washington's birthday from February 11 to February 22.

**Q.** What is meant by "privileges of the floor" in the Senate and House of Representatives, and who are entitled to those privileges? A. Y.

**A.** The term "privileges of the floor" does not imply the right of participation in the proceedings of either house of the United States Congress, but simply the privilege of being present in the chamber during sessions. The officers and employees of the respective houses named as having the privilege are given it because their duties require that they be on the floor. The delegates from Alaska, Hawaii and the Resident Commissioners from Porto Rico and the Philippines in the House have the further privilege of addressing the House, but not the right to vote. The provision restricting the privilege of ex-Members of those who are not interested in pending legislation is designed to prevent ex-Members from lobbying while enjoying their privilege of the floor.

The President of the United States has the right, under the Constitution of the United States, to address either branch of Congress, but his Cabinet officers do not have that right. On special occasions distinguished visitors or those who have received the thanks of Congress, are authorized to address one or the other of the bodies by special invitation of the membership. A comparatively recent case of this sort was that of Col. Charles A. Lindbergh, who was invited to address the House upon his visit to Washington after his flight from New York to Paris.

Rule 32 of the House reads as follows:

"The Hall of the House shall be used only for the legislative business of the House and for the caucus meetings of its Members, except upon occasions where the House by resolution agree to take part in any ceremonies to be observed therein; and the Speaker shall not entertain a motion for the suspension of this rule."

Rule 33 lists the persons who shall be admitted to the Hall of the House or the adjacent rooms, cloak rooms, etc., as follows:

"The President and Vice-President of the United States, and their private secretaries, judges of the Supreme Court, Members of Congress and Members-elect (which includes Senators and Senators-elect); contestants in election cases during the pendency of their cases before the House, the Secretary and Sergeant-at-arms of the Senate, heads of departments (meaning cabinet officers and not subordinate heads of departmental bureaus), foreign ministers, governors of states (not territories), the Superintendent of the Capitol Building and Grounds, the Librarian of Congress and his assistant in charge of the Law Library, the Resident Commissioners from

Porto Rico and the Philippine Islands and such persons as have, by name, received the thanks of the Congress, ex-Members of the House of Representatives who are not interested in any claim or directly in any bill pending before Congress, and clerks of committees when business from their committees is under consideration.

Rule 33 of the Senate lists the following as having privileges of the Senate floor during open sessions of the Senate:

"The President of the United States and his private secretary, the President-elect and Vice-President-elect of the United States, ex-Presidents and ex-Vice-Presidents of the United States, Judges of the Supreme Court, ex-Senators and Senators-elect, the officers and employees of the Senate in the discharge of their official duties, ex-Secretaries and ex-Sergeants-at-Arms of the Senate, Members of the House of Representatives and Members-elect, ex-Speakers of the House of Representatives, the Sergeant-at-Arms of the House and his chief deputy and the Clerk of the House and his deputy, heads of the Executive Departments, Ambassadors and Ministers of

the United States, Governors of States and Territories, the General Commanding the Army, the Senior Admiral of the Navy on the active list, Members of National Legislatures of foreign countries, Judges of the Court of Claims, Commissioners of the District of Columbia, the Librarian of Congress and the Assistant Librarian in charge of the Law Library, the Architect of the Capitol, the Secretary of the Smithsonian Institution, Clerks to Senate committees and clerks to Senators when in the actual discharge of their official duties, Clerks to Senators, to be admitted to the floor, must be regularly appointed and borne upon the rolls of the Secretary of the Senate as such."

Rule 36 relating to executive sessions lists the following who are allowed to be on the floor of the Senate during secret sessions:

"The Secretary, the Chief Clerk, the Principal Legislative Clerk, the Executive Clerk, the Minute and Journal Clerk, the Sergeant-at-Arms, the Assistant Doorkeeper, and such other officers as the Presiding Officer shall think necessary; and all such officers shall be sworn to secrecy."

## The Chase Plan

(Continued from page 102)

tribution, law, public health and sanitation, and publicity. The commodity sections for each industry would have the duty of compiling all necessary information on investment, turnover, labor supply, technical requirements, and requirements for raw material, credit and transportation, in the industry which it served.

The Board would cooperate closely with or even take

over the powers of the Federal Reserve Board, the Interstate Commerce Commission, the Federal Power Commission, the Federal Trade Commission and all the bureaus now gathering business statistics. It would cooperate actively with the United States Chamber of Commerce, the National Industrial Conference Board, the American Federation of Labor and all trade associations.

## This Month's Contributors

Dr. Benjamin A. Anderson, Economist, Chase National Bank, New York City.  
Stuart Chase, Author and Economist, New York City.  
Wallace B. Donham, Dean, Harvard School of Business.  
Henry I. Harriman, Chairman, Committee on Continuity of Business, U. S. Chamber of Commerce.  
Sidney Hillman, President, Amalgamated Clothing Workers' of America.  
Robert M. La Follette, Jr., U. S. Senator, Wis., Rep.

Charles E. Mitchell, Chairman, National City Bank of New York, New York City.  
David B. Robertson, President, Brotherhood of Locomotive Firemen and Enginemen.  
George Soule, Editor, *New Republic*.  
Gerard Swope, President, General Electric Company.  
Melvin A. Traylor, President, First National Bank, Chicago.  
C. Judkin, Atty at Law; Paul Webbink, Economist, and Isador Lubin, Economist. (Fact Material.)

## This Month's Sources

- 1—From Pamphlet Series No. 9, "Advisory Economic Councils," by Lewis L. Lorwin, published by The Brookings Institution, Washington, D. C., 1931, price 50 cents.
- 2—From hearings held from October 22 to December 19, 1931, before a subcommittee of the Senate Committee on Manufactures (72d Cong., 1st Sess.), on S. 6215 (71st Cong.). A Bill to Establish a National Economic Council.

- 3—*Survey Graphic* (Monthly), March, 1932. 112 East 19th St., New York City.
- 4—Radio interview with William Hard from National Broadcasting Company's Station WRC, Washington, January 11, 1932.
- 5—List prepared by American Library Association for the Radio Committee of the National League of Women Voters, 347 East 50th Street, New York City.

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